CITY OF ALLEN

FINANCE

Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2018

Public art at Spirit Park

CITY OF ALLEN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF ALLEN

FISCAL YEAR ENDED
SEPTEMBER 30, 2018

AS PREPARED BY THE
FINANCE DEPARTMENT

CITY OF ALLEN

CITY OF ALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
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CITY OF ALLEN

INTRODUCTORY SECTION

CITY OF ALLEN

CITY OF ALLEN

February 27, 2019

Honorable Mayor and City Council, City Manager,
Citizens of Allen:

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Allen, Texas (the City), for the fiscal year ended September 30, 2018.

This report is published to provide the City Council, our citizens, City staff, and other readers with detailed information concerning the financial position and activities of the City. Management has prepared the report and is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is complete and reliable in all material respects. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Also included in this report is an unmodified ("clean") opinion on the City of Allen's financial statements for the year ended September 30, 2018, issued by Weaver and Tidwell, L.L.P. The independent auditors' report is located at the beginning of the financial section of the CAFR.

REPORTING ENTITY

This report includes all funds of the City including its component units. Component units are legally separate entities for which the City is financially accountable but are not part of the City's operations. The Allen Economic Development Corporation (AEDC) and Allen Community Development Corporation (ACDC) are included in the financial statements as discretely presented component units.

CITY PROFILE

The City of Allen is the fourth largest city in population in Collin County, one of the fastest growing counties in the nation. Located 25 miles north of downtown Dallas on US 75, Allen encompasses approximately 27 square miles. The George Bush Tollway and Sam Rayburn Tollway (Hwy 121) provide direct access into the Metroplex and access to Love Field (27 miles) and Dallas Ft Worth International Airport (31 miles). With a population of 7.516 million in the metropolitan area, Allen sits in a prime location for restaurants, shopping centers and other retail venues. The quality of the Allen community attracts well-educated residents with a high level of spending power and disposable income. Current population of 102,653 at September 30, 2018, is estimated to grow to 130,000 at build out.

Incorporated in 1953, Allen is a home rule charter city. The Charter can be amended only by a vote of the people and provides for seven non-partisan Council members, including the Mayor, to be elected at-large to staggered terms of three years. The Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as adopting the annual budget which serves as the foundation for financial planning and control. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. The Council also appoints the Municipal Judge and various advisory boards.

City service departments provide a full range of services including police and fire protection emergency ambulance service, municipal courts, building code enforcement, library, parks and recreation, tourism, water and sewer services, sanitation/solid waste services, traffic engineering, and construction and maintenance of streets and infrastructure. The City employs 818.96 full time equivalent positions.

ECONOMIC CONDITIONS AND OUTLOOK

Regional Economy

In November 2016, the Dallas Morning News ranked the City of Allen as the second-Best Neighborhood in North Texas citing the "small-town feel" and "hometown pride". The City of Allen's unemployment rate as of September 2018 was 3.2%, and the Collin County unemployment rate was 3.2%-- both of which were below the national rate of 3.7%. The Dallas-Fort Worth area has an incredibly diversified economy, an extremely low unemployment rate, a growing labor force, low cost of living, affordable real estate, and a superior business climate. The lower cost of living helps create huge savings to corporations and their employees when they relocate to Texas.

Allen's Position in the Region

Along with an ideal location just 12 miles north of Dallas on US 75, Allen's appealing demographics have spurred along record-breaking growth. The population of 102,653 is expanding with an estimated 4.2% growth rate. Allen has benefited from a well-educated and affluent workforce with an average household income of $135,502 as reported by the U.S. Census Bureau, American Community Survey. With an average age of 36.2, 54.3% of adults have bachelor's degrees or higher, and the average earnings for a resident with a bachelor's degree is $72,615. Allen is a community that offers exceptional housing, award-winning schools, steady job growth, and dynamic business climate all of which are strong factors in the success of the City's economy. The quality of the Allen community attracts residents with a high level of spending power and disposable income. This makes Allen a prime location for restaurants, shopping centers and other retail venues.

Allen's progress continues to be recognized as the City was named the #2 "Best Places to Live" in MONEY's prestigious annual list in October 2017.

Long Range Financial Planning

The City's responsiveness to emerging economic challenges and its long-term planning have been key factors in its fiscal health. The City has a five-year financial plan and a seven-year capital improvement plan where departments reevaluate project priorities, review funding sources, and identify new projects as needed. Using this plan allows the City to plan the timing of projects associated with debt issuance and the effects on the tax rate. Standard and Poor's most recent credit rating report dated July 5th, 2018 stated, "very strong management, with strong financial policies and practices under our Financial Management Assessment methodology."

The City continues to maintain the highest 'AAA' rating from Standard and Poor's and during 2016 received a rating increase from Aa1 to Aaa from Moody's on its general obligation, certificate of obligation bonds. This increase makes the City of Allen just one of seven Cities in the State of Texas to have both a AAA rating with both S&P and Moody's. The Water and Sewer Revenue Bonds are rated 'AAA' from Standard and Poor's and Aa2 from Moody's. S&P's July 2018 rating report supporting the 'AAA' rating stated the following credit factors:

- Very strong economy
- High effective buying income, strong market values
- Very strong budgetary flexibility and very strong year end reserves and liquidity
- Very strong management and strong financial management practices that are sustainable
- Faster than average debt amortization and moderate overlapping debt, while the debt liabilities profile is adequate

During fiscal year 2016, the City began a CIP Bond Program that totaled $93 million and estimated to be completed over seven years. In fiscal year 2017, the City issued $11,845,000 related to the bond program, and another $8,355,000 in fiscal year 2018. For more information, related to this program please visit the following link: *http://www.cityofallen.org/1718/Allen-Bond-2016*.

Additionally, during fiscal year 2018, the City issued $9,330,000 in Water and Sewer System Revenue Bonds. The purpose of the bonds is to fund water and sewer line replacements in older neighborhoods within the City. This is a change in philosophy as the City had been funding all Water and Sewer Fund capital improvements with operating funds and has now adopted a hybrid approach that will slow customer rate increases as wholesale rates from NTMWD increase.

Fiscal Year 2018 Highlights

During fiscal year 2018, the City accomplished many initiatives to enhance livability, improve personal experience, invest in the future, and celebrate the successes. From quality neighborhoods to park development, community safety, and environmental initiatives, it's no surprise that people move here to experience the quality of life the citizens of Allen enjoy.

As the City's population continued to grow, the need for new housing continued as well, with the Community Development Department issuing over four-hundred and forty building permits. The City welcomed a variety of new businesses to the city, including Pinstack, Cyrus One Data Center Phase II, Starcreek Village, and the Techcenter on Greenville III. Facilitated several new residential developments including The Village at Twin Creeks – Phase IV, Huntington Villas, Vera at Watters, Dolce Living, Ridgeview Villas, St. Andews Park, and Larkspur. The City also administered Community Development Block Grant funds which went toward the rehabilitation of twenty-one homes within Allen's older neighborhoods.

While crime remained flat from fiscal year 2017 to 2018, an increase in population resulted in a 3.51% decrease per 1,000 residents in fiscal year 2018 compared to 2017. The Allen Police Department continually strives to rapidly address emerging crime issues through innovative programs and community engagement. As an example, the *Data Driven Approaches to Crime and Traffic Safety* program continues to help with effective resource deployment. Allen's partnership with Texas Organized Retail Crime Association has continued to address high volume organized boosters, another example of how Allen works to remain one of the safest communities in the state and nation.

The Fire Department continues to improve their service to the community through the redesign of the Central Fire Station and Fire Administration facility. The redesign will expand response capacity and allow for efficient administration of the fire department. The Fire Department, re-wrote medical treatment protocols to include the latest in-patient care, updated fire apparatus to meet the demands of a growing community, expanded professional development programs for staff, and added automatic patient cot loading systems to six ambulances. Additionally, staff applied for and received $450,000+ from the Texas Ambulance Supplemental Payment Program. Lastly, the department increased inter-operability with neighboring fire departments through joint training and resource sharing.

The City's environmental conservation and green initiatives continued to grow and develop with the implementation of new energy management systems at City Hall, another year of recycling at City facilities with an increased recycling presence at City parks, another year of chemical redistribution at the Chemical Reuse Center, coordination of special events and public education programs related to protecting and conserving natural resources, and winning multiple awards from regional, state and national organizations dedicated to resource conservation. The City has continually been recognized for its efforts to expand in this area, culminating in the winning of the National Recreation and Park Association's Gold Medal Award and being recognized by Keep Texas Beautiful as a Gold Star Affiliate and Governor's Community Achievement Award - Sustained Excellence Award Winner.

The Library provides a vibrant, welcoming environment for Allen citizens with an emphasis on exemplary customer service and support for lifelong learning, literacy, access to information, and bringing the community closer together. To encourage literacy and lifelong learning, the Library offers programs for children and teens on art, science (including robotics and coding), animals, and reading. Adults find opportunities to feed their literary, cultural, historical, musical, and travel interests augmented by hands-on activities for crafts and food. During the hot Texas summers, visitors of all ages participate in the cool Summer Reading Clubs, while reading, learning, and earning prizes. The Library's digital collection, both e-books and e-audiobooks, continued to grow with the cloud Library service, notably through a consortium with other Texas libraries, to offer more than 123,000 items. Physical books and DVD's remained more popular than ever, especially among children and families. Last fiscal year, the Library checked out 1.18 million items, welcomed more than 400,000 visitors, and hosted over 89,000 program participants. These statistics represent all-time highs for the Allen Public Library. Checkouts achieved new highs for the 23rd consecutive year, visitors for the 5th consecutive year, and program attendance for the 10th consecutive year.

In 2018, the CDC provided funding for several capital projects such as substantial completion of Spirit Park, a pedestrian bridge and trail at the Allen Senior Recreation Center, construction of Windridge Neighborhood Park, scoreboard upgrades at the Allen Event Center, and continued Trail Development and Enhancement.

The Allen Economic Development Corporation (AEDC) worked to bring a variety of companies and related development to Allen. The AEDC facilitated the completion of *One Bethany East* at Watters Creek, the 125,000 SF Class A office building that opened in March 2018. *One Bethany East* saw numerous tenants move into the newly opened building, which include Boss Fight Entertainment, Verado Energy, Cope Equities, and AEDC's administrative office. The AEDC recruited Credit Union of Texas to relocate their corporate headquarters to One Bethany East, which brought in over 200 new jobs. All of this activity boosted the occupancy of the newly opened building to over 70%. Numerous companies opened including: WatchGuard Video moving into their new building, a $46 million headquarters facility in June; NETSCOUT Systems, a cyber-security company, which brought 540 high paying jobs to a new $54 million headquarters building in One Bethany at Watters Creek opened in August; and Yeager Office Suites, who opened their first building in Allen in August. Compass Datacenters constructed their second phase of the $300 million data center campus for lead tenant Jack Henry. CyrusOne broke ground on the first phase of their $1billion data center that opened in October 2018, and Collin County Technical Campus broke ground in September, in partnership with the AEDC. The AEDC partnered on the planning and announcement of Monarch City, a 270-acre mixed-use development at the corner of US 75 & SH121, and lead a coalition of landowners to block construction of a large electrical transmission line along SH 121. Construction of the electrical transmission line would have negatively impacted future development of corporate campuses along the corridor. These projects not only increased the City's property tax base but also positively affected the City's economy by bringing over 1,500 jobs to Allen.

One of the City's major draws, the Allen Event Center, is home to a wide range of entertaining shows and events- Disney on Ice, Khalid, Newsboys, Steve Miller Band & Peter Frampton, Professional Bull Riding, Boxing and other amateur and collegiate sports. The facility hosted multiple graduations as well as several trade shows such as Home & Garden Shows, Bridal Shows, Gun Shows, and Job Fairs among others. The Allen Event Center was also the home to professional sports; the Allen American Hockey Club (ECHL), and the Dallas Sidekicks Soccer Club (MASL). The Allen Americans reached the playoffs for the 9th consecutive year and are currently playing their 10th Anniversary season in Allen. The Allen Event Center will celebrate its 10th anniversary in November 2019.

With all this happening within Allen's borders, it's clear that the city is working hard to provide every resident and visitor with great experiences, services and safety.

Relevant Financial Policies

A resolution amending the Debt Management and Fund Balance Reserve Policy to reflect new accounting requirements (GASB 54) was approved by Council in September 2011. The Investment Policy is also approved annually by the Council. All other policies (accounting, budgeting, procurement, capital improvements, asset management, and risk management) are internal policies approved by the Finance department and City Manager. These policies follow guidelines established by management, professional organizations and/or state and federal laws and are reviewed on a periodic basis. Recently, the Training/Travel Policy was updated to reflect changes in city processes and provide added flexibility for travelers, as well as provide greater ease for Finance staff during the reconciliation process. On a quarterly basis, the Finance Department prepares financial and investment reports, which are presented to the City Council.

Internal Control

Management of the City, through its Finance Department, is responsible for the implementation, maintenance, and monitoring of a set of comprehensive internal controls. The goal of the City's system of internal control is to limit opportunity for theft, fraud, or abuse by ensuring adequate separation of duties and systematic monitoring with a positive control environment set at the top of the organization. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

AWARDS AND ACKNOWLEDGEMENTS

Awards -- The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Allen for its CAFR for the fiscal year ended September 30, 2017. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements – We would like to express our sincere gratitude to City's personnel who contributed to this report, especially the accounting department. Appreciation is expressed to representatives of Weaver, LLP, for their invaluable assistance in producing the final document, and to the City Manager's office and the members of the City Council, whose leadership and commitment are vital to the health and vitality of the City of Allen.

Respectfully submitted,

Eric Cannon, CPA
Chief Financial Officer

Steven Glickman, CPA
Assistant Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Allen

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

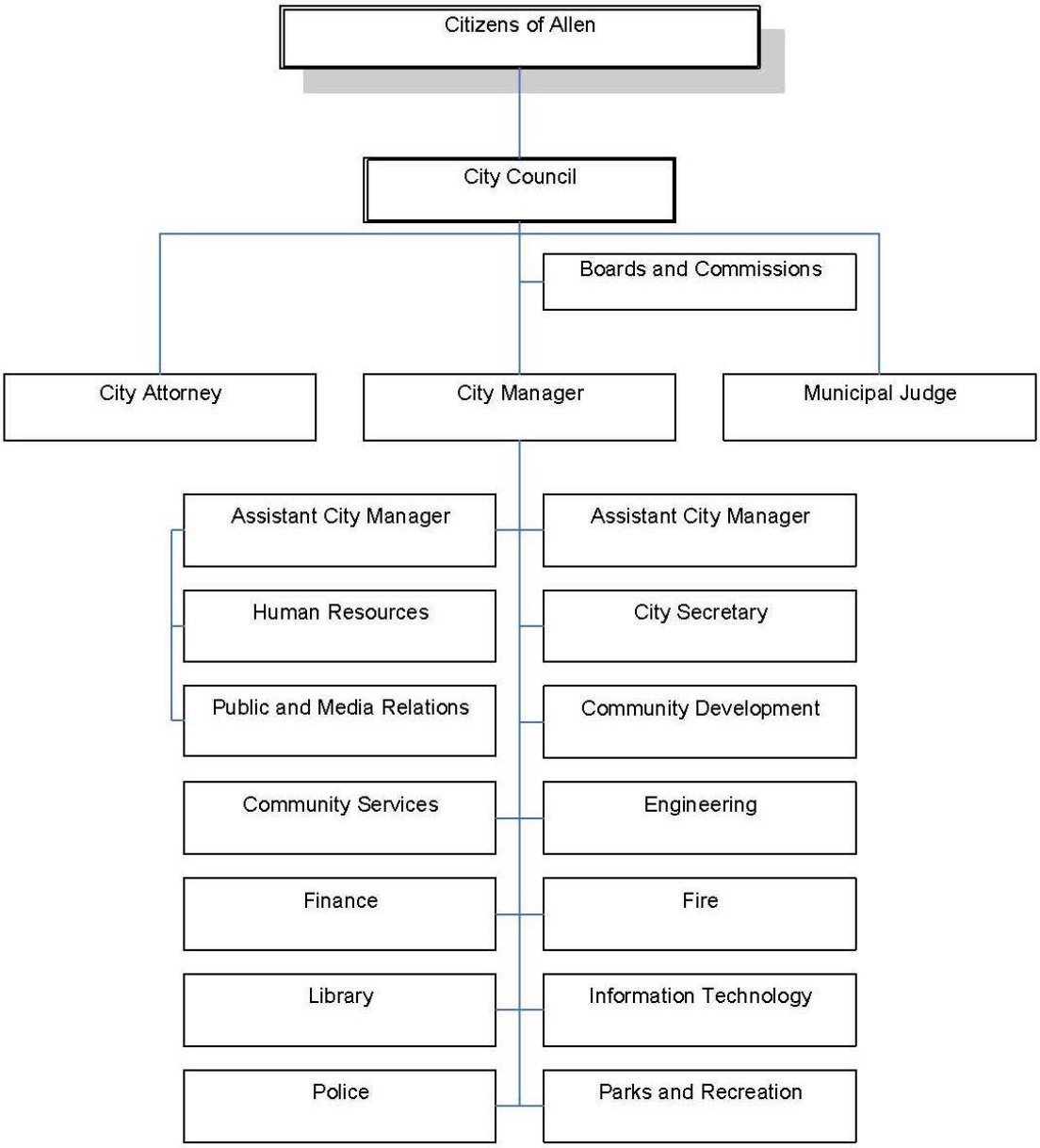
September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF ALLEN

ORGANIZATIONAL CHART



CITY OF ALLEN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CITY OF ALLEN

Councilmembers

Mayor	Stephen Terrell
Mayor Pro Tem, Place No. 5	Gary L. Caplinger
Councilmember, Place No. 1	Kurt Kizer
Councilmember, Place No. 2	Carl Clemencich
Councilmember, Place No. 3	Lauren Doherty
Councilmember, Place No. 4	Robin L. Sedlacek
Councilmember, Place No. 6	Baine Brooks

Management Staff

Interim City Manager	Peter H. Vargas
Chief Financial Officer	Eric Cannon
Assistant Chief Financial Officer	Steven Glickman
Controller	Martin Clarke

FINANCIAL SECTION

CITY OF ALLEN

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Allen, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Allen, Texas (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax:972.702.8321
CPAs AND ADVISORS | WEAVER.COM

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor and Members of City Council
City of Allen, Texas

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 27, 2019

CITY OF ALLEN

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ALLEN

As management of the City of Allen, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2018, by $581,648,805. Of this amount, $59,098,047 represents the unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $22,172,536. The increase is primarily a result of an increase in revenues from property tax and charges for services in both governmental and business-type activities.
- The City's governmental funds reported combined ending fund balances of $79,988,048 at September 30, 2018, an increase of $577,584 from the prior fiscal year. This increase is attributed to the issuance of $8,355,000 in general obligation bonds in fiscal year 2018 and increased revenue offset by capital outlay of $13,114,988.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was $23,626,108 or 25% of total General Fund expenditures.
- On a government-wide basis, the City's total liabilities decreased by $2,664,166, primarily as a result of decreases in the City's net pension liability offset by the City issuing $8,355,000 in general obligation bonds in fiscal year 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner like that of a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information that shows how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event that gives rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

In the government-wide financial statements, on pages 17 through 19, the City is divided into three kinds of activities:

- **Governmental activities** - Most of the City's basic services are reported here, including the police, fire, library, community development, parks and recreation, municipal court, and general administration. Property and sales taxes, charges for services, franchise fees, and state and federal grants finance most of these activities.

- **Business-type activities** - The City's water, sewer, solid waste, drainage, and golf course operations are reported here. These are functions intended to recover all or a significant portion of their costs through user fees and charges.

- **Component units** - The City includes two separate legal entities in this report: the Allen Economic Development Corporation (AEDC) and the Allen Community Development Corporation (ACDC). Although legally separate, these component units are important because the City is financially accountable for them.

Fund financial statements - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental Funds - These funds are used to account for most of the City's activities, which are essentially the same functions as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as resources available for future spending at fiscal year-end. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. When compared with similar information in the broader government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation is provided, which details the relationships or differences between governmental activities and governmental funds; reconciliation follows the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Debt Service Fund, General Capital Projects Fund and General Obligation Bond Fund, all of which are major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 20 through 25 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection, disposal services, drainage operations, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for vehicle, machinery, and equipment replacements and costs associated with workers compensation, liability and property insurance, and employee medical and dental insurance programs. These services have been included within governmental activities in the government-wide financial statements as they predominantly benefit governmental rather than business-type functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, solid waste collection, and disposal services since they are major funds of the City. The Drainage Fund and the Golf Course Fund are the only remaining enterprise funds, and they are being presented as major funds even though they do not meet the criteria of a major fund. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining schedules elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26 through 30 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the primary government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33 and 34 of this report.

Notes to the Financial Statements - Additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements is provided in the notes to the financial statements found on pages 35 through 74 of this report.

Required Supplementary Information includes budgetary comparison schedules that have been provided for the general fund to demonstrate compliance with the budget. Required supplementary information also includes schedules of changes in net liabilities and related ratios and on contributions to the City's pension and other postemployment benefits (OPEB). The City participates in Texas Municipal Retirement System (TMRS) for its pension plan and provides its employees with post-retirement healthcare benefits (OPEB). The required supplementary information is found on pages 75 through 81 of this report.

The combining and budgetary schedules referred to earlier include information for nonmajor governmental funds, internal service funds, and the discretely presented component units, and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the financial position of a government. The assets and deferred outflows of the City of Allen exceed the liabilities and deferred inflows by $581,648,805 at September 30, 2018. By far the largest portion of the City's net position ($482,916,185 or 83%) reflects its net investment in capital assets (i.e. land, buildings, infrastructure, vehicles, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports the net investment in its capital assets, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 110,027,791	$105,635,402	$ 50,984,983	$ 39,475,215	$ 161,012,774	$145,110,617
Capital assets	455,359,516	446,809,256	118,218,401	112,803,250	573,577,917	559,612,506
Total Assets	565,387,307	552,444,658	169,203,384	152,278,465	734,590,691	704,723,123
Deferred outflows of resources	7,844,279	12,473,446	875,828	1,457,944	8,720,107	13,931,390
Long-term liabilities	122,968,369	133,248,180	17,898,089	9,311,738	140,866,458	142,559,918
Other liabilities	11,340,373	11,191,215	3,977,673	4,383,757	15,318,046	15,574,972
Total Liabilities	134,308,742	144,439,395	21,875,762	13,695,495	156,184,504	158,134,890
Deferred inflows of resources	4,868,245	927,106	609,244	116,248	5,477,489	1,043,354
Net Position:						
Net investment in capital assets	379,153,944	366,322,218	103,762,241	107,926,811	482,916,185	474,249,029
Restricted	39,588,223	38,303,226	46,350	195,485	39,634,573	38,498,711
Unrestricted	15,312,432	14,926,159	43,785,615	31,802,370	59,098,047	46,728,529
Total Net Position	$ 434,054,599	$419,551,603	$147,594,206	$139,924,666	$ 581,648,805	$559,476,269

An additional portion of the City's net position, $39,634,573, represents resources that are subject to external restrictions on how those resources can be used. The remaining balance of $59,098,047 may be used to meet the government's ongoing obligations to citizens and creditors.

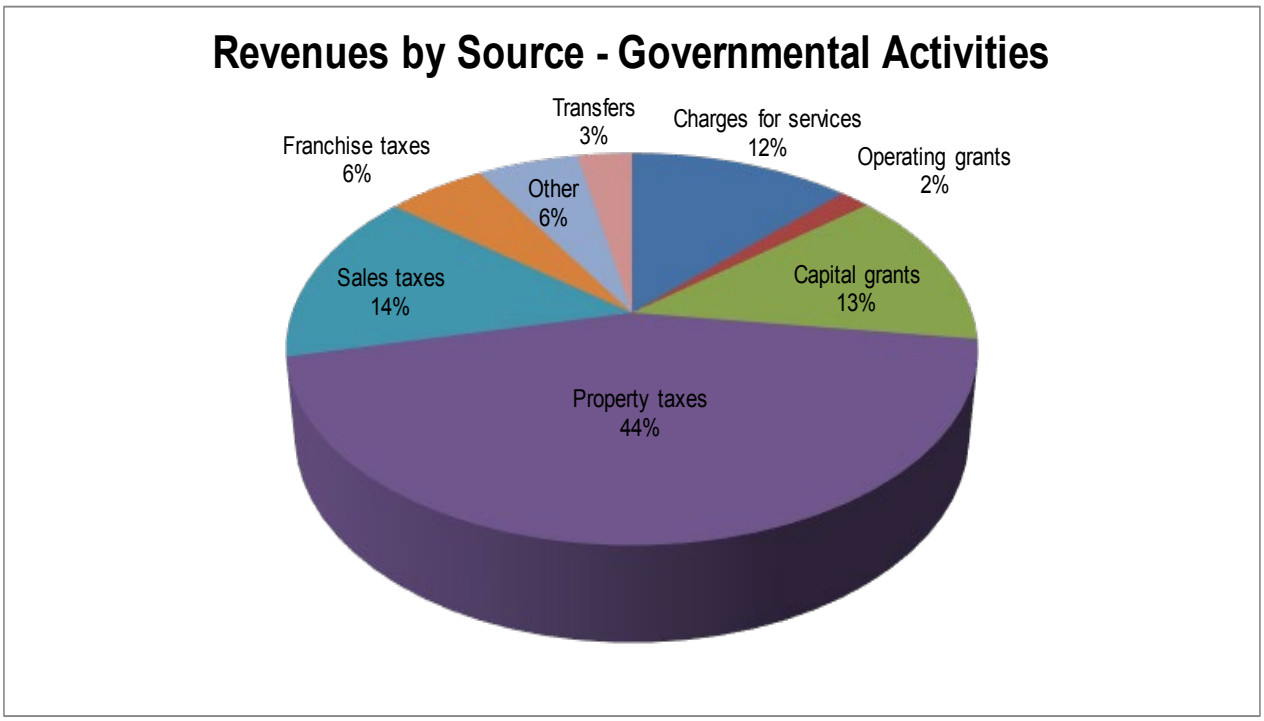
Analysis of the City's Operations - As of September 30, 2018, the City had an overall increase in net position of $22,172,536 for the primary government, which represents an increase of $14,502,996 for governmental activities and an increase of $7,669,540 for business-type activities. The increase in governmental activities resulted primarily from an increase in revenue related to charges for services, capital grants and contributions, property taxes, sales taxes, franchise taxes, interest earnings, gain on the sale of capital assets, and miscellaneous revenue. The increase in business-type activities is primarily a result of an increase in charges for services and miscellaneous revenue. A summary of the City's operations for the year ended September 30, 2018, is provided in Table 2.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 17,858,790	$ 16,516,224	$ 54,104,868	$ 48,507,483	$ 71,963,658	$ 65,023,707
Operating grants and contributions	2,423,768	2,443,054	-	-	2,423,768	2,443,054
Capital grants and contributions	18,942,856	15,327,094	9,734,528	5,622,911	28,677,384	20,950,005
General Revenues:					-	-
Property taxes	63,929,379	58,816,876	-	-	63,929,379	58,816,876
Sales tax	20,717,505	19,450,088	-	-	20,717,505	19,450,088
Franchise taxes	7,990,092	7,553,013	-	-	7,990,092	7,553,013
Hotel motel taxes	1,487,066	1,547,244	-	-	1,487,066	1,547,244
Other taxes	1,704,227	1,912,559	-	-	1,704,227	1,912,559
Interest earnings	944,196	837,577	210,045	199,508	1,154,241	1,037,085
Gain on sale of capital asset	446,117	263,627	13,228	-	459,345	263,627
Miscellaneous	3,592,229	2,703,964	21,030	274,944	3,613,259	2,978,908
Total Revenues	140,036,225	127,371,320	64,083,699	54,604,846	204,119,924	181,976,166
Expenses:						
General government	26,764,210	28,251,550	-	-	26,764,210	28,251,550
Public safety	39,213,768	39,624,788	-	-	39,213,768	39,624,788
Public works	24,161,991	20,209,785	-	-	24,161,991	20,209,785
Culture and recreation	33,791,438	28,968,534	-	-	33,791,438	28,968,534
Community development	3,079,242	3,007,047	-	-	3,079,242	3,007,047
Interest on long-term debt	2,920,824	2,980,513	-	-	2,920,824	2,980,513
Water and sewer	-	-	41,134,685	39,527,816	41,134,685	39,527,816
Solid waste services	-	-	6,223,788	6,078,853	6,223,788	6,078,853
Drainage	-	-	1,260,262	1,193,057	1,260,262	1,193,057
Golf course	-	-	3,397,180	3,135,144	3,397,180	3,135,144
Total Expenses	129,931,473	123,042,217	52,015,915	49,934,870	181,947,388	172,977,087
Change in net position before transfers	10,104,752	4,329,103	12,067,784	4,669,976	22,172,536	8,999,079
Transfers	4,398,244	4,610,889	(4,398,244)	(4,610,889)	-	-
Change in net position	14,502,996	8,939,992	7,669,540	59,087	22,172,536	8,999,079
Net position, beginning of year, as restated	419,551,603	411,588,028	139,924,666	139,983,664	559,476,269	551,571,692
Net position, end of year	$434,054,599	$420,528,020	$147,594,206	$140,042,751	$581,648,805	$560,570,771

Governmental activities

Revenues – The following chart visually illustrates the City's revenue by sources for governmental activities:



Revenues for the City's governmental activities increased by $12,664,905. Major components of revenue increase and decreases are explained as follows:

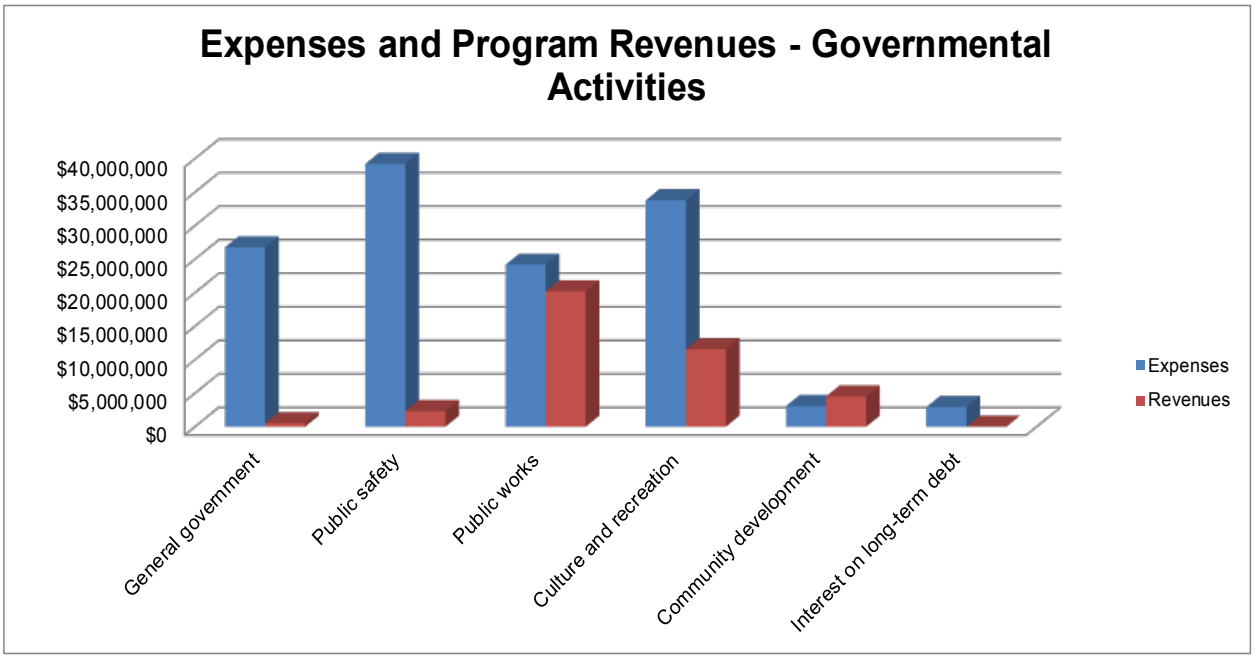
- Property taxes increased by $5,112,503, or 8.7%, due to an increase of 10.2% from prior year's valuation. This increase is due to real property reappraisals and new property additions.
- Sales taxes increased by $1,267,417 over prior year collections.
- Franchise tax revenue increased by $437,079 over prior year collections.
- Charges for services increased by 8.1% primarily due to an increase in parks and recreations charges and an increase in roadway impact fee revenue.
- Fines Revenue (Other Taxes) decreased by 10.9% as a result of warrant revenue and enforcement decreasing.
- Interest earnings increased by $106,619, an increase of 12.7%, as a result of interest rates that continue to increase.

Expenses for governmental activities increased by $5,912,839, or 4.8%. Components of increases and decreases are explained as follows:

- Expenses include employee annual merit increases, general schedule salary market adjustment, adding 18.01 fulltime equivalent positions to address goals in the strategic plan and to maintain the current level of service.
- Expenses for Public Safety decreased by 2.4% due primarily to the decrease in net pension liability from fiscal year 2017 to fiscal year 2018.
- Expenses for Culture and Recreation increased by 15.9% due to merit increases, increasing the Parks and Recreation and Allen Event Center full-time equivalent by 5.01, collectively, to maintain service levels. Additionally, there was an increase in ticket reimbursement expenses at the Allen Event Center due to an increase in number of events held.

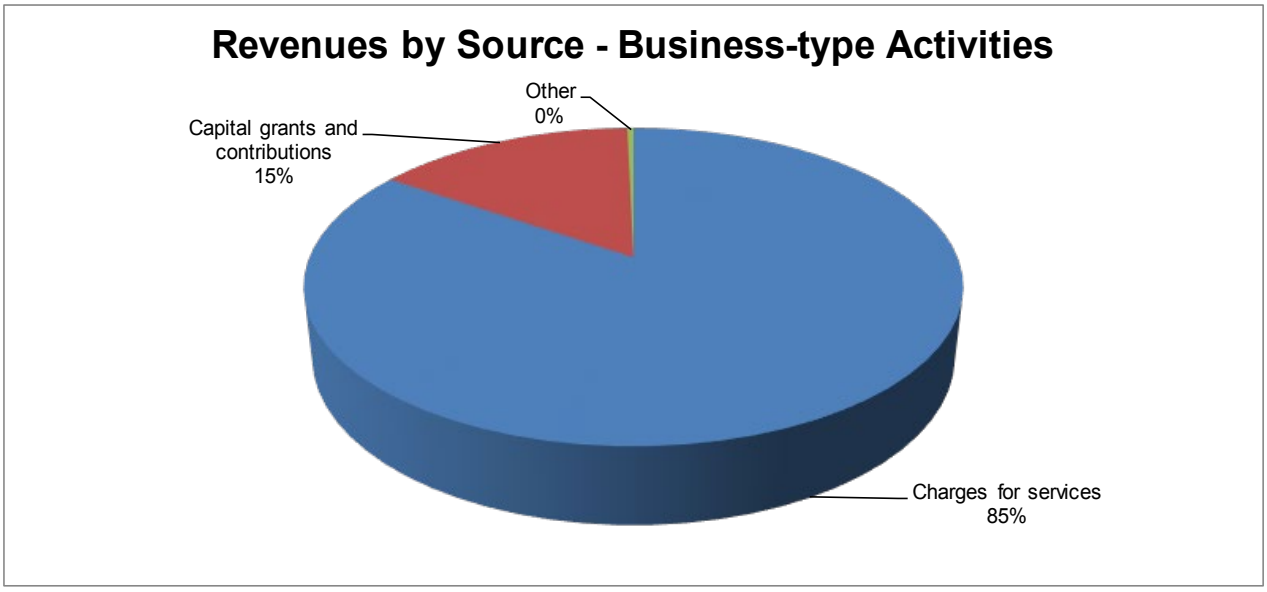
- Expenses for General Government decreased by 5.8% due to allocating vehicle and equipment replacement to applicable departments and the decrease in net pension liability from fiscal year 2017 to fiscal year 2018.

The following chart illustrates the relationship between expenses and program revenues for governmental type activities:



Business-type activities –

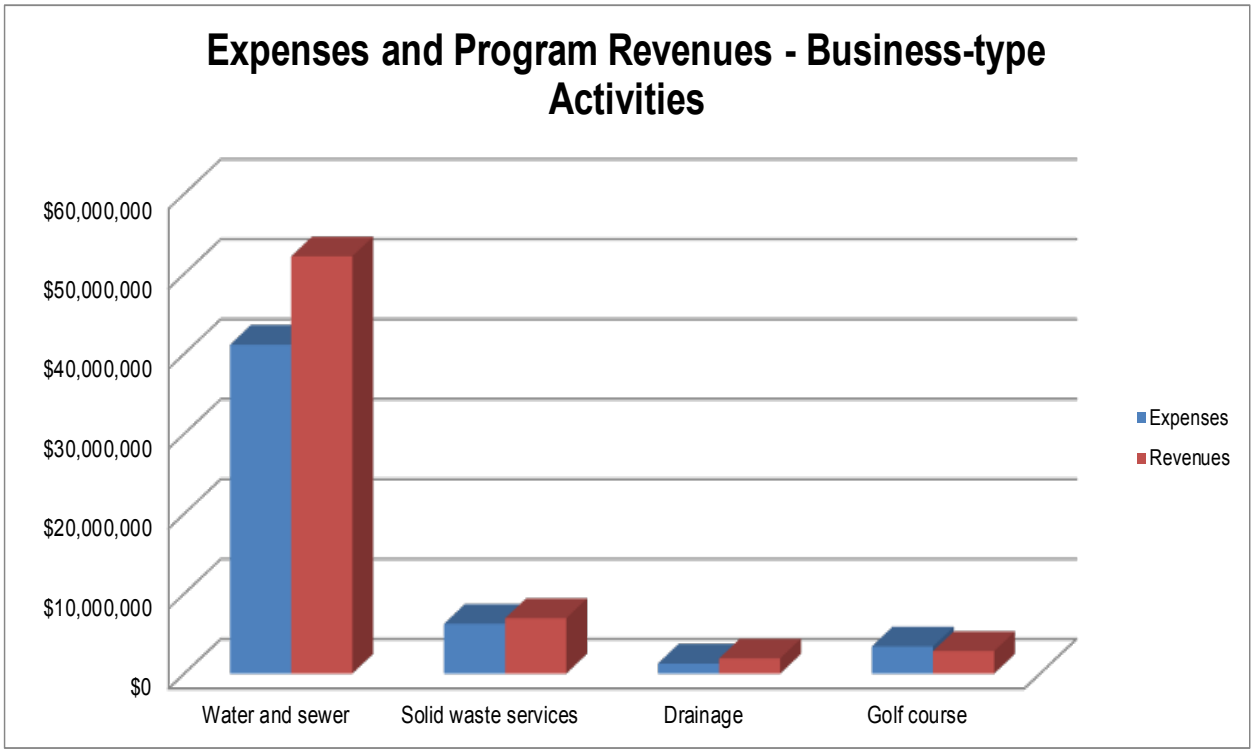
Revenues – The following chart visually illustrates the City's revenue by sources for business-type activities:



Revenues from business-type activities increased $9,478,853, or 17.4%. Major components of the net increase are as follows:

- Charges for services for business-type activities increased by $5,597,385, or 11.5%, due to an increase of $4,344,231 in water charges, and an increase of $1,119,369 in sewer charges.
- Capital grants and contributions increased by $4,111,617 over the prior year.

Expenses for business-type activities increased by $1,962,960, or 3.9%. The increase was due to an increase of 3.9% in expenses in the Water and Sewer Fund, an increase of 2.2% in expenses in the Solid Waste Fund, an increase of 4.9% in the expenses in the Drainage Fund, and an increase of 7.5% in expenses in the Golf Course Fund. The increase in the Water and Sewer Fund was primarily a result of an increase in the amount paid to North Texas Municipal Water District (NTMWD) as they proceed with capital expansion plans that increased the City's costs associated with water and sewer service from the District. The increases in the Solid Waste Fund were the result of increased contractual services while the increases in the Drainage Fund were the result of increased maintenance. The increase in the Golf Course Fund was primarily a result of increased personnel costs and increased maintenance. The following chart illustrates the relationship between expenses and program revenues for business-type activities:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds

The focus of the City of Allen's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances of $79,988,048, an increase of $577,584 in comparison with the prior fiscal year. Approximately 30%, or $23,621,680, constitutes unassigned fund balances, which are available for spending at the government's discretion. The remaining fund balances are classified as non-spendable, restricted, or assigned to indicate that they are not available for new spending allocation. The non-spendable portion includes $25,747 related to prepaid items. The restricted portion includes: debt service ($1,251,938), capital expenditures ($18,101,966), tourism ($1,936,470), asset forfeiture ($141,634), state and federal grants ($270,523), park acquisition and development ($1,260,006), tax increment financing agreements ($3,755,679), court technology ($25,303), juvenile case manager ($1,037), PEG fees ($946,059), radio system ($215,019), photo red light enforcement ($26,410), and cemetery trust ($59,386). In addition, $28,349,191 is assigned to capital expenditures.

The General Fund is the chief operating fund of the City. As of the end of the current fiscal year, the total unassigned fund balance was $23,626,108. Current operating expenditures had savings of $4,998,553, which allowed monies to be transferred to the General Capital Projects Fund for self-financing of capital projects. The total fund balance increased from $21,869,796 at September 30, 2017, to $23,711,241 at September 30, 2018. This increase is due to prudent, conservative management by City staff.

The Debt Service Fund balance of $1,251,938, all of which is restricted for the payment of debt, represents a decrease from the prior year of $90,064. This decrease was due to the cash defeasance of the 2005 Certificates of Obligation for $405,000. The fund balance meets the fiscal year 2018's 5-10% of annual debt service requirement of $732,140 to $1,464,279.

The General Capital Projects Fund provides information on cash financed capital projects and had an ending fund balance of $28,349,191 at September 30, 2018, an increase of $3,070,975. Revenues and other financing sources totaled $10,077,316, which included $1,257,202 received from Collin County for the Alma Drive improvements, $450,193 received from TASPP for the Fire Department expenditures, $347,379 in charges for services for median improvements, $367,604 in miscellaneous revenue for street improvements, and $5,000,000 from other funds to cash finance capital projects. Total expenditures and other uses of $7,006,341 consisted of $1,157,632 for intersection improvements, $2,073,396 for median improvements, $870,379 for Ridgeview Drive improvements, $346,423 for the bridge replacement at the Joe Farmer Recreation Center, $354,941 for the pedestrian bridge and trail at the Allen Senior Recreation Center, $656,350 for Ridgemont Drive improvements, $450,000 in capital lease payments, and $300,000 for miscellaneous street and alley repairs.

The General Obligation Bond Fund had an ending fund balance of $18,101,966, which represents a decrease of $1,377,996 from the prior year. Expenditures totaled $10,700,503, which mainly consisted $1,690,091 for Spirit Park enhancement, $2,300,000 for the Collin County College Firearms Training Facility, $3,535,627 for Ridgeview Drive improvements, $584,380 for traffic signal improvements, and $450,388 for Alma Drive improvements.

General Fund Budgetary Highlights

During April and May each year, all accounts are evaluated to determine whether they are in line with the original budgets. Accounts that are under or over budget are revised to meet year-end final estimates. New projects are not added to the year-end estimate; only the cost of maintaining the current base operation is revised as needed. As is customary, during fiscal year ended September 30, 2018, the City Council amended the budget for the General Fund one time.

Adjustments made during fiscal year 2017-18 increased the original revenue budget by $651,051 and increased the expenditure budget by $2,100,907. Due to actual expenditures being $4,971,770 less than the revised budget and revenues exceeding the revised budget by $1,491,267, the City was able to transfer $4,500,000 to the General Capital Projects Fund to cash finance future capital projects and transfer $75,000 to the Golf Course Fund to ensure a positive net position at year's end. The General Fund's operational expenditure reserve increased to 92 days from the amended budget of 80 days, which is slightly above the City's financial policy to maintain a 60- to 90-days expenditure reserve.

Proprietary funds

The City's proprietary funds provide information like the presentation in the government-wide financial statements, but in more detail. As of September 30, 2018, the unrestricted net position for all enterprise funds were as follows: Water and Sewer, $38,006,427; Solid Waste, $3,561,879; Drainage, $1,063,025; and Golf Course, $45,275. The total change in net position for these funds was an increase of $7,268,095; an increase of $1,885; an increase of $333,788; and an increase of $20,798, respectively.

The Water and Sewer Fund had an increase in net position as a result of a significant increase in water demand over the summer months of 2018 coupled with an increase in customer rates. The Solid Waste Fund had an increase in net position due to increased revenue coupled with an increase in transfers out to other funds. The Drainage Fund had an increase in net position due to an increase in operating revenues. The Golf Course Fund had an increase in net position due to increased transfers in from other funds.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to $573,577,917 (net of accumulated depreciation). Investment in capital assets includes land and improvements, buildings, vehicles, machinery and equipment, park land and facilities, roads and bridges. About 79% of the capital assets are governmental and 21% are business-type activities. There was an increase of 2.5% in the investment in capital assets for the current fiscal year.

Table 3
Capital Assets at Year-end, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$143,531,148	$139,069,288	$4,072,882	$4,072,882	$147,604,030	$143,142,170
Buildings	70,204,069	72,863,687	-	-	70,204,069	72,863,687
Towers, tanks, and pump stations	-	-	107,724,356	102,147,625	107,724,356	102,147,625
Other Improvements	212,575,308	216,700,731	306,039	318,303	212,881,347	217,019,034
Furniture and fixtures	169,577	229,588	-	-	169,577	229,588
Vehicles	6,541,467	6,489,143	388,743	315,323	6,930,210	6,804,466
Machinery and equipment	3,692,505	3,964,661	2,038,203	1,722,145	5,730,708	5,686,806
Construction in progress	18,645,442	7,492,158	3,688,178	4,226,972	22,333,620	11,719,130
Total	$455,359,516	$446,809,256	$118,218,401	$112,803,250	$573,577,917	$559,612,506

The major governmental-type capital improvement projects and developer contributions during the current fiscal year included the following:

Developer contributed streets, alleys, and rights of way	$ 16,932,261
Spirit Park	6,315,321
Collin College Gun Range	2,300,000
Bridge & Trail Park @ ASRC	773,694
Street construction:	
Ridgeview Drive - Cottonwood Drive to Chelsea Drive	4,407,003
2017 Median Improvements	2,102,103
Bethany Drive Intersection Improvement	1,053,046

Business-type capital improvement projects and developer contributions during the current fiscal year include the following:

Developer contributed water mains and sewer lines	$ 7,486,365
Hillside Water & Sewer Rehabilitation Phase 1	2,582,556
Ridgeview Drive Water & Sewer - Cottonwood Dr. to Chelsea Dr.	474,929

Additional information on the City's capital assets can be found in Note 4 of this report.

DEBT ADMINISTRATION

As shown in Table 4, the City's total outstanding debt at September 30, 2018, was $185,505,200. Of this total, $122,968,369 was associated with governmental activities, $17,898,089 was business-type activities, and $44,638,742 was associated with the Component Units. Total gross bonded debt and a note payable was $153,584,942, which includes $86,785,000 of General Obligation (G.O.) bonds backed by the full faith and credit of the primary government; $13,050,000 secured solely by water and sewer revenues; the Component Units' total of $40,925,000, which is secured by future sales tax revenue; a note payable balance of $3,223,695; and $9,601,247 in net premiums and discounts from bond issuances. Other long-term debt relates to accrued compensated absences, net pension liability, net OPEB liability, and capital leases.

During fiscal year 2018, the City issued $8,355,000 of General Obligation Bonds and $9,330,000 in Waterworks and Sewer System Revenue Bonds.

The revenue bond debt for both component units relates to debt issued to support public infrastructure improvements, land acquisition, and construction of the Allen Event Center. The notes payable relates to a loan agreement in which Allen Economic Development Corporation entered to finance the purchase of 31 acres of land. Total debt of the Component Units decreased by 9.9%. Total debt for the Allen Economic Development Corporation decreased by 15.8%, and for the Allen Community Development Corporation, total debt decreased by 5.8%.

Table 4
Outstanding Debt at Year-end
Bonds and Other Long-Term Liabilities

	Governmental Activities		Business-type Activities		Component Units		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Gross Bonded Debt								
General Obligation Bonds	$ 86,785,000	$ 88,575,000	$ -	$ -	$ -	$ -	$ 86,785,000	$ 88,575,000
Certificate of Obligation Bonds	-	405,000	-	-	-	-	-	405,000
Revenue Bonds Payable	-	-	13,050,000	4,760,000	-	-	13,050,000	4,760,000
Premiums & Discounts	7,675,400	7,609,995	800,800	165,847	1,125,047	1,257,405	9,601,247	9,033,247
Sales Tax Revenue Bonds	-	-	-	-	40,925,000	45,060,000	40,925,000	45,060,000
Note Payable	635,000	1,255,000	-	-	2,588,695	3,204,458	3,223,695	4,459,458
Total Gross Bonded Debt	95,095,400	97,844,995	13,850,800	4,925,847	44,638,742	49,521,863	153,584,942	152,292,705
Other Long-Term Debt								
Compensated Absences	6,368,701	6,225,795	786,209	726,859	-	-	7,154,910	6,952,654
Net Pension Liability	19,444,403	27,661,775	2,396,197	3,424,109	-	-	21,840,600	31,085,884
Net OPEB Liability	1,195,620	979,395	145,492	118,444	-	-	1,341,112	1,097,839
Capital Leases	864,245	1,250,000	719,391	116,479	-	-	1,583,636	1,366,479
Total Other Long-Term Debt	27,872,969	36,116,965	4,047,289	4,385,891	-	-	31,920,258	40,502,856
Total	$ 122,968,369	$ 133,961,960	$ 17,898,089	$ 9,311,738	$ 44,638,742	$ 49,521,863	$ 185,505,200	$ 192,795,561

The underlying credit ratings from both Moody's Investors Service and Standard and Poor's for the City's General Obligation Bonds, Certificates of Obligation, Waterworks and Sewer System Revenue Bonds, Community Development Corporation's Sales Tax Bonds, and Economic Development Sales Tax Revenue Bonds are shown below in Table 5. Additional information on the City's long-term debt can be found in Note 5 to the basic financial statements.

Table 5
Bond Ratings

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	Aaa	AAA
Certificates of Obligation	Aaa	AAA
Water & Sewer Revenue Bonds	Aa2	AAA
CDC Sales Tax Revenue Bonds	Aa2	
EDC Sales Tax Revenue Bonds	Aa2	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The local economy continues to be moderately strong for the City of Allen and for the North Central Texas region. Focused on having a balanced community, the City takes a proactive approach to economic development with its business recruitment and retention efforts, as well as with its variety of housing options. In addition, the City conservatively manages its budget. The fiscal year 2018-2019 budget reflects the commitment of the City Council and City staff to provide services and facilities to the citizens of Allen, while maintaining a strong financial position.

The City revenues impacted mostly by a moderately strong economy are property taxes and sales taxes. The property tax revenue source experienced growth due to new construction and reappraisal increases of existing real property. For fiscal year 2018-2019, reappraisal values for existing real (residential and commercial) properties increased 6.45% compared to fiscal year 2018. New construction of residential and commercial property resulted in an increase in valuation of 3.48%. The overall increase in valuation from all categories was 9.93%; however, the property tax revenue increase was budgeted at 5.13% as a result of lowering the tax rate by 1.2 cents. Overall sales tax is expected to increase by 2.11%. As the City's sizeable retail developments near its capacity, the rate of growth of sales tax is expected to increase at a rate that is a combination of population growth and increases in prices for retail items.

The rate of residential growth has steadily increased as the economy recovered. The City estimates issuance of 500 single family permits in fiscal year 2019. The population of approximately 102,653 as of September 30, 2018, is expected to reach approximately 130,000 at "build out" in the next twelve years. The population projection at "build out" has been increased recently due to the construction of additional multi-family homes, changes to projected land use plans, and an overall increase in the density of the developments.

The various infrastructure and operational needs of the City have resulted in the annual expenditure budget increase from $164.49 million in fiscal year 2012, to $220.73 million in fiscal year 2019 for all funds combined. The certified assessed property value for 2018-2019 equates to an overall increase of approximately $1.228 billion (9.93%) from the preceding year. The fiscal year 2019 tax rate was set at $0.498 per $100 valuation. Of the total tax rate, $0.393463 is dedicated to operations and maintenance in the General Fund, and $0.104537 is dedicated to general obligation debt service.

Ad valorem taxes are the General Fund's largest revenue source and will contribute $52.726 million or 49.96% of the fund's budgeted revenues in FY2010. Appraisal values are established by the Central Appraisal District of Collin County, and collections are certified at 100% by the Collin County Tax Assessor-Collector's office. New retail development and population growth will continue to increase sales tax at a moderate rate of 2.11% over the revised FY2018 budget.

The General Fund ended 2017-2018 with a positive variance of $1,999,932 as compared to the revised budgeted fund balance. This brings the ending fund balance to an equivalent 92 days of operating expenditures, which is higher than the amended estimate of 80 days and just above the range of the City's financial policy of 60 to 90 days. The 2018-2019 General Fund expenditure budget reflects a 5.04% increase from the revised 2017-2018 budget. This is primarily due to a compensation merit increases and a market adjustment in employee pay ranges with emphasis on public safety employees along with the addition of fifteen new budgeted employees. These changes will allow the City to retain staff to meet its strategic goals and continue its commitment to maintaining a high level of service to the public.

The City chose to increase the water and sewer rates as proposed in the rate study, which was updated in 2017. The budget includes an increase in rates to the city from NTMWD. Also, included in the FY2019 budget is $3,241,368 to cash finance water and sewer capital projects related to pump station and sewer lift station maintenance, flow meters, water tank repainting, and Central Business District Rehabilitation. The Water and Sewer Fund is expected to finish the fiscal year 2019 with approximately $11.684 million in working capital reserves to result in 95 days of operating expenses in reserve, which is within the City policy of 90 to 120 days. This healthy balance is necessary to fund the future City and NTMWD capital projects and ongoing maintenance projects that are planned to ensure the water and sewer infrastructure meet the demand when the City reaches build out and provides reserves that can be used during periods of drought-related watering restrictions that would have an impact on revenues.

The Solid Waste Fund represents a stable operational service, and the City's staff continues its educational outreach programs through several key programs and events held throughout the year. Staff also continues to seek grant funding for future cycles. The City's current contract is with Community Waste Disposal (CWD) as the solid waste provider. No commercial CPI solid waste fee increases are planned in 2019. The contract includes an agreement to adjust the Variable Fuel Adjustment Fee (VFAF) on commercial accounts to a higher fuel cost starting point, which is beneficial to the City's commercial customers. With the continuing decline in fuel costs, the VFAF will probably not be changed. The Solid Waste working capital balance at the end of fiscal year 2019 is expected to be $2.822 million which is approximately 143 operating days of reserve and is greater than the City's policy of 90 to 120 days.

The Drainage Fund is supported by drainage fees on utility bills and development inspection fees. The fund continues to sustain a working capital balance which supports drainage maintenance, mosquito abatement, Texas Pollution Discharge Elimination System (TPDES), and capital improvement activities.

The City's golf course, formerly called Chase Oaks, is in its seventh year of operation. After the course was redesigned, it was renamed as The Courses at Watters Creek. The renovated course opened in January 2013. The completion of the 33 holes has helped to improve the overall golf experience for the established players and create an enthusiastic environment for new golfers of all ages. There is an 18-hole course, a 9-hole course, 6 additional holes for short iron play, new putting greens, and a lighted driving range. This last year of operations saw an increase in revenue due to damage and flooding that occurred in the prior year that resulted in depressed revenue. The Golf Course Fund working capital balance at the end fiscal year 2019 is expected to be $13,078.

For 2018-2019, the Risk Management Fund reflects changes in health care costs of 5% for Plans A and B and Plan C and no increase in dental premiums. For fiscal year 2019, the City will incur an 3.86% increase in costs from the revised fiscal 2018 budget. Prior to fiscal year 2016, the City would pay claims over the stop loss amounts and then get reimbursed. United Healthcare can manage the stop loss once claims have reached the stop loss threshold. Worker's compensation premiums have increased due to the number of hours worked by public safety personnel. Property and liability insurance rates for fiscal year 2019 are expected to increase compared to fiscal year 2018 as there were significant additions of newly insured property. The Risk Fund continues to be in good financial condition.

The City of Allen's budget continues to be positively impacted by moderately strong growth and by conservative fiscal management. The 2018-2019 budget reflects the efforts of the governing body and City staff to address the need to provide services and facilities to support our vibrant and growing community, while maintaining a strong financial position.

Request for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, please contact the Finance Department at 305 Century Parkway, Allen, Texas, 75013, or call (214) 509-4626.

CITY OF ALLEN

BASIC FINANCIAL STATEMENTS

CITY OF ALLEN

CITY OF ALLEN, TEXAS **EXHIBIT 1**
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 21,791,588	$ 14,291,796	$ 36,083,384	$ 4,521,837
Investments	78,858,867	24,884,272	103,743,139	15,185,149
Receivables (net of allowance for uncollectibles)	9,588,702	9,101,278	18,689,980	3,537,343
Internal balances	(1,109,009)	1,109,009	-	-
Prepaid items and other assets	67,184	5,050	72,234	6,298
Net OPEB asset	804,712	-	804,712	-
Inventories	25,747	106,402	132,149	-
Restricted cash and cash equivalents	-	1,487,176	1,487,176	-
Capital assets:				
Non-depreciable	162,176,590	7,761,060	169,937,650	20,618,161
Depreciable (net of depreciation)	293,182,926	110,457,341	403,640,267	47,224,155
TOTAL ASSETS	565,387,307	169,203,384	734,590,691	91,092,943
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	1,652,107	114,031	1,766,138	1,051,563
Deferred outflows of resources - OPEB	95,436	11,941	107,377	-
Deferred outflows of resources - pension	6,096,736	749,856	6,846,592	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,844,279	875,828	8,720,107	1,051,563
LIABILITIES				
Accounts payable	5,353,384	1,622,461	6,975,845	160,442
Accrued liabilities	3,707,507	282,099	3,989,606	31,458
Accrued interest payable	421,429	80,826	502,255	116,247
Customer deposits	-	1,840,004	1,840,004	-
Unearned revenue	1,123,673	-	1,123,673	-
Retainage payable	734,380	152,283	886,663	184,239
Non-current liabilities:				
Due within one year	15,866,646	2,019,582	17,886,228	4,970,438
Due in more than one year	107,101,723	15,878,507	122,980,230	39,668,304
TOTAL LIABILITIES	134,308,742	21,875,762	156,184,504	45,131,128
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB	103,324	12,924	116,248	-
Deferred inflows of resources - pension	4,764,921	596,320	5,361,241	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,868,245	609,244	5,477,489	-
NET POSITION				
Net investment in capital assets	379,153,944	103,762,241	482,916,185	37,988,879
Restricted for:				
Debt service	873,560	46,350	919,910	451,728
Capital projects	30,140,951	-	30,140,951	-
Tourism	1,936,470	-	1,936,470	-
Park acquisition and development	1,260,006	-	1,260,006	-
State and federal grants	270,523	-	270,523	-
Tax Increment Financing	3,755,679	-	3,755,679	-
Other purposes	1,351,034	-	1,351,034	-
Unrestricted	15,312,432	43,785,615	59,098,047	8,572,771
TOTAL NET POSITION	$ 434,054,599	$ 147,594,206	$ 581,648,805	$ 47,013,378

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 26,764,210	$ 525,542	$ -	$ -
Public safety	39,213,768	2,171,332	160,355	-
Public works	24,161,991	1,333,506	-	18,864,656
Culture and recreation	33,791,438	9,803,084	1,770,960	78,200
Community development	3,079,242	4,025,326	492,453	-
Interest on long-term debt	2,920,824	-	-	-
Total governmental activities	129,931,473	17,858,790	2,423,768	18,942,856
Business-type Activities:				
Water and sewer	41,134,685	42,453,681	-	9,734,528
Solid waste	6,223,788	6,933,356	-	-
Drainage	1,260,262	1,907,407	-	-
Golf course	3,397,180	2,810,424	-	-
Total business-type activities	52,015,915	54,104,868	-	9,734,528
TOTAL PRIMARY GOVERNMENT	$ 181,947,388	$ 71,963,658	$ 2,423,768	$ 28,677,384
COMPONENT UNITS:				
Allen Economic Development Corporation	$ 10,353,859	$ -	$ -	$ -
Allen Community Development Corporation	10,402,577	-	-	-
TOTAL COMPONENT UNITS	$ 20,756,436	$ -	$ -	$ -

General revenues:	
Taxes:	
Property taxes, levied for general purposes	
Sales taxes	
Franchise taxes	
Hotel motel taxes	
Other taxes	
Investment earnings	
Gain on sale of assets	
Miscellaneous	
Transfers	
Total general revenues and transfers	
CHANGE IN NET POSITION	
NET POSITION, beginning of year as restated	
NET POSITION, end of year	

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business - Type Activities	TOTAL	COMPONENT UNITS
$ (26,238,668)	$ -	$ (26,238,668)	$ -
(36,882,081)	-	(36,882,081)	-
(3,963,829)	-	(3,963,829)	-
(22,139,194)	-	(22,139,194)	-
1,438,537	-	1,438,537	-
(2,920,824)	-	(2,920,824)	-
(90,706,059)	-	(90,706,059)	-
-	11,053,524	11,053,524	-
-	709,568	709,568	-
-	647,145	647,145	-
-	(586,756)	(586,756)	-
-	11,823,481	11,823,481	-
$ (90,706,059)	$ 11,823,481	$ (78,882,578)	$ -
$ -	$ -	$ -	$ (10,353,859)
-	-	-	(10,402,577)
$ -	$ -	$ -	$ (20,756,436)
$ 63,929,379	$ -	$ 63,929,379	$ -
20,717,505	-	20,717,505	20,290,350
7,990,092	-	7,990,092	-
1,487,066	-	1,487,066	-
1,704,227	-	1,704,227	-
944,196	210,045	1,154,241	198,028
446,117	13,228	459,345	30,953
3,592,229	21,030	3,613,259	287,217
4,398,244	(4,398,244)	-	-
105,209,055	(4,153,941)	101,055,114	20,806,548
14,502,996	7,669,540	22,172,536	50,112
419,551,603	139,924,666	559,476,269	46,963,266
$ 434,054,599	$ 147,594,206	$ 581,648,805	$ 47,013,378

CITY OF ALLEN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	GENERAL	DEBT SERVICE	GENERAL CAPITAL PROJECTS
ASSETS			
Cash and cash equivalents	$ 2,050,323	$ 1,235,472	$ 8,430,535
Investments	22,196,564	15,737	19,909,691
Receivables, net of allowances for uncollectibles:			
Ad valorem taxes	150,524	42,855	-
Sales taxes	3,480,141	-	-
Accounts receivable	4,014	-	-
Accrued interest	89,453	925	73,330
Other	3,483,132	-	1,727,395
Inventories	27,498	-	-
Prepaid items	25,747	-	-
TOTAL ASSETS	$ 31,507,396	$ 1,294,989	$ 30,140,951
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 3,315,355	$ -	$ 1,219,180
Accrued liabilities	2,276,143	-	321,122
Unearned revenue	1,123,674	-	-
Retainage payable	-	-	215,898
TOTAL LIABILITIES	6,715,172	-	1,756,200
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	150,524	42,855	-
Unavailable revenue - charges for services	846,370	-	-
Unavailable revenue - miscellaneous	10,409	-	20,000
Unavailable revenue - interest	18,981	196	15,560
Unavailable revenue - fines	54,699	-	-
Unavailable revenue - grants	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,080,983	43,051	35,560
FUND BALANCES			
Nonspendable			
Prepaid items	25,747	-	-
Restricted			
Debt service	-	1,251,938	-
Capital expenditures	-	-	-
Tourism	-	-	-
Asset forfeiture	-	-	-
State and federal grants	-	-	-
Park acquisition and development	-	-	-
Tax increment financing agreement	-	-	-
Court technology	-	-	-
Juvenile case manager	-	-	-
PEG fees	-	-	-
Radio system	-	-	-
Photo red light enforcement	-	-	-
Cemetery trust	59,386	-	-
Assigned			
Capital expenditures	-	-	28,349,191
Unassigned	23,626,108	-	-
TOTAL FUND BALANCES	23,711,241	1,251,938	28,349,191
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 31,507,396	$ 1,294,989	$ 30,140,951

The Notes to Financial Statements are an integral part of this statement.

GENERAL OBLIGATION BOND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 3,230,386	$ 2,732,903	$ 17,679,619
15,754,644	5,664,729	63,541,365
-	-	193,379
-	-	3,480,141
-	366,646	370,660
57,899	26,430	248,037
7,804	-	5,218,331
-	-	27,498
-	-	25,747
$ 19,050,733	$ 8,790,708	$ 90,784,777
$ 483,101	$ 92,716	$ 5,110,352
-	45,585	2,642,850
-	-	1,123,674
453,380	65,102	734,380
936,481	203,403	9,611,256
-	-	193,379
-	-	846,370
-	-	30,409
12,286	5,568	52,591
-	-	54,699
-	8,025	8,025
12,286	13,593	1,185,473
-	-	25,747
-	-	1,251,938
18,101,966	-	18,101,966
-	1,936,470	1,936,470
-	141,634	141,634
-	270,523	270,523
-	1,260,006	1,260,006
-	3,755,679	3,755,679
-	25,303	25,303
-	1,037	1,037
-	946,059	946,059
-	215,019	215,019
-	26,410	26,410
-	-	59,386
-	-	28,349,191
-	(4,428)	23,621,680
18,101,966	8,573,712	79,988,048
$ 19,050,733	$ 8,790,708	$ 90,784,777

CITY OF ALLEN, TEXAS **EXHIBIT 4**
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds		$ 79,988,048
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		455,359,516
Funds comprising the net OPEB asset are not current financial resources and therefore are not reported in the governmental funds balance sheet.		804,712
The following deferred outflows of resources and deferred inflows of resources are not reported in governmental funds:		
Deferred charges on refunding	$ 1,652,107	
Deferred outflows of resources - OPEB	95,436	
Deferred outflows of resources - pension	6,096,736	
Deferred inflows of resources - OPEB	(103,324)	
Deferred inflows of resources - pension	(4,764,921)	2,976,034
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability on the governmental funds balance sheet.		(421,429)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds ($27,221,073) are net of the amount allocated to business-type activities ($1,109,009) and to capital assets ($8,981,450).		17,130,614
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		1,185,473
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities consist of:		
General obligation bonds	$ (86,785,000)	
Tax notes	(635,000)	
Capital lease payable	(864,245)	
Premiums/discounts	(7,675,400)	
Compensated absences	(6,368,701)	
Net OPEB liability	(1,195,620)	
Net pension liability	(19,444,403)	(122,968,369)
Net position of governmental activities		$ 434,054,599

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN

CITY OF ALLEN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL	DEBT SERVICE
REVENUES		
Ad valorem taxes, penalties and interest	$ 48,218,839	$ 14,406,808
Franchise taxes	7,803,103	-
Municipal sales tax	20,232,104	-
Licenses, permits and fees	3,745,689	-
Charges for services	11,974,727	-
Fines	1,570,939	-
Gifts and contributions	852,322	-
Hotel / motel fees	-	-
Intergovernmental	138,559	-
Investment earnings	338,587	145,919
Miscellaneous	2,069,713	-
Total revenues	96,944,582	14,552,727
EXPENDITURES		
Current		
General government	23,824,706	-
Public safety	37,946,894	-
Public works	4,406,346	-
Culture and recreation	24,169,342	-
Community development	2,723,735	-
Capital outlay	614,649	-
Debt service:		
Principal retirement	-	11,181,377
Interest and fiscal charges	-	3,461,414
Total expenditures	93,685,672	14,642,791
Excess (deficiency) of revenues over (under) expenditures	3,258,910	(90,064)
OTHER FINANCING SOURCES (USES)		
Issuance of bonds	-	-
Premium on bonds issued	-	-
Capital lease obligations	-	-
Transfers in	4,603,089	-
Transfers out	(6,063,012)	-
Proceeds from sale of capital assets	42,458	-
Total other financing sources (uses)	(1,417,465)	-
NET CHANGE IN FUND BALANCES	1,841,445	(90,064)
FUND BALANCES, BEGINNING OF YEAR	21,869,796	1,342,002
FUND BALANCES, END OF YEAR	$ 23,711,241	$ 1,251,938

The Notes to Financial Statements are an integral part of this statement.

GENERAL CAPITAL PROJECTS	GENERAL OBLIGATION BOND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ -	$ 1,149,408	$ 63,775,055
-	-	186,989	7,990,092
-	-	485,400	20,717,504
-	-	748,672	4,494,361
1,468,058	-	-	13,442,785
-	-	139,415	1,710,354
-	-	-	852,322
-	-	1,487,066	1,487,066
2,287,336	-	1,129,346	3,555,241
186,054	89,499	91,895	851,954
1,135,868	-	71,096	3,276,677
5,077,316	89,499	5,489,287	122,153,411
654,678	145,196	1,066,676	25,691,256
-	90,690	486,994	38,524,578
3,157,125	1,335,776	-	8,899,247
350,623	2,521	5,191,726	29,714,212
-	-	352,525	3,076,260
1,993,915	9,126,320	1,380,104	13,114,988
450,000	-	-	11,631,377
-	-	-	3,461,414
6,606,341	10,700,503	8,478,025	134,113,332
(1,529,025)	(10,611,004)	(2,988,738)	(11,959,921)
-	8,355,000	-	8,355,000
-	978,386	-	978,386
-	75,622	-	75,622
5,000,000	-	79,093	9,682,182
(400,000)	(176,000)	-	(6,639,012)
-	-	42,869	85,327
4,600,000	9,233,008	121,962	12,537,505
3,070,975	(1,377,996)	(2,866,776)	577,584
25,278,216	19,479,962	11,440,488	79,410,464
$ 28,349,191	$ 18,101,966	$ 8,573,712	$ 79,988,048

CITY OF ALLEN, TEXAS **EXHIBIT 6**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds		$ 577,584
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		13,114,988
Current year changes in the net other post employment benefit asset are not current financial resources and therefore are not reported in the governmental funds.		80,963
Governmental funds do not recognize contributed capital assets. However, in the statement of activities the acquisition value of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		17,010,461
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(21,311,883)
The proceeds from issuance of long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued. However, these amounts are amortized in the government-wide financial statements.		
Bonds issued	(8,355,000)	
Premium on bonds issued	(978,386)	
Bond and capital lease principal retirement	11,631,377	
Amortization of bond premiums	912,981	
Amortization of deferred charges on refundings	(390,029)	2,820,943
Current year changes for compensated absences, net pension liability, net OPEB liability, deferred inflows/outflows related to pensions, and OPEB do not require the use of current financial resources and, therefore, are not reported in governmental funds.		(387,441)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(29,015)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net operating and non-operating income and transfers of the internal service funds is reported with governmental activities net of amounts allocated to business-type activities.		2,310,016
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		316,380
Change in net position of governmental activities		$ 14,502,996

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 7**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	WATER AND SEWER	SOLID WASTE	DRAINAGE	GOLF COURSE	TOTAL	INTERNAL SERVICE FUNDS
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 12,181,941	$ 950,309	$ 328,409	$ 831,137	$ 14,291,796	$ 4,111,967
Investments	22,027,625	2,040,211	816,436	-	24,884,272	15,317,503
Receivables, net of allowance for uncollectibles:						
Accounts	7,601,049	872,765	260,028	2,888	8,736,730	22,736
Accrued interest	80,325	8,813	3,741	-	92,879	55,418
Other	93,045	174,399	559	3,666	271,669	-
Inventories	106,402	-	-	-	106,402	39,686
Prepaid items	-	-	-	5,050	5,050	-
Restricted cash and cash equivalents	1,487,176	-	-	-	1,487,176	-
Total current assets	43,577,563	4,046,497	1,409,173	842,741	49,875,974	19,547,310
NONCURRENT ASSETS						
CAPITAL ASSETS						
Land	4,072,882	-	-	-	4,072,882	-
Construction in progress	3,688,178	-	-	-	3,688,178	352,367
Other improvements	-	-	496,132	-	496,132	-
Towers, tanks, and pump stations	201,770,563	-	-	-	201,770,563	-
Vehicles	947,953	140,440	151,554	-	1,239,947	14,440,981
Machinery and equipment	3,893,589	12,359	573,537	1,429,490	5,908,975	6,004,332
Total capital assets	214,373,165	152,799	1,221,223	1,429,490	217,176,677	20,797,680
Less: accumulated depreciation	(97,548,690)	(45,596)	(618,661)	(745,329)	(98,958,276)	(11,816,230)
Capital assets, net of accumulated depreciation	116,824,475	107,203	602,562	684,161	118,218,401	8,981,450
Total noncurrent assets	116,824,475	107,203	602,562	684,161	118,218,401	8,981,450
TOTAL ASSETS	160,402,038	4,153,700	2,011,735	1,526,902	168,094,375	28,528,760
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	114,031	-	-	-	114,031	-
Deferred outflows of resources - OPEB	7,744	887	907	2,403	11,941	-
Deferred outflows of resources - pension	495,119	60,257	51,484	142,996	749,856	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	616,894	61,144	52,391	145,399	875,828	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts payable	1,277,797	181,046	99,816	63,802	1,622,461	243,031
Accrued liabilities	177,272	27,976	18,647	58,204	282,099	447
Retainage payable	152,283	-	-	-	152,283	-
Accrued compensated absences - current	256,984	53,758	33,732	104,276	448,750	-
Incurred but not reported claims	-	-	-	-	-	1,064,209
Payable from restricted assets:						
Revenue bonds payable - current	1,420,623	-	-	-	1,420,623	-
Capital leases payable - current	-	-	-	150,209	150,209	-
Accrued interest payable	80,826	-	-	-	80,826	-
Customer deposits payable	1,804,169	-	-	35,835	1,840,004	-
Total current liabilities	5,169,954	262,780	152,195	412,326	5,997,255	1,307,687
NONCURRENT LIABILITIES						
Revenue bonds payable	12,430,177	-	-	-	12,430,177	-
Capital leases payable	-	-	-	569,182	569,182	-
Net OPEB liability	93,759	11,485	10,901	29,347	145,492	-
Net pension liability	1,592,687	186,134	164,809	452,567	2,396,197	-
Accrued compensated absences	193,250	40,427	25,367	78,415	337,459	-
Total noncurrent liabilities	14,309,873	238,046	201,077	1,129,511	15,878,507	-
TOTAL LIABILITIES	19,479,827	500,826	353,272	1,541,837	21,875,762	1,307,687
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - pension	390,238	43,979	44,285	117,818	596,320	-
Deferred inflows of resources - OPEB	8,384	957	982	2,601	12,924	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	398,622	44,936	45,267	120,419	609,244	-
NET POSITION						
Net investment in capital assets	103,087,706	107,203	602,562	(35,230)	103,762,241	8,981,450
Restricted for revenue bond principal and interest	46,350	-	-	-	46,350	-
Unrestricted	38,006,427	3,561,879	1,063,025	45,275	42,676,606	18,239,623
TOTAL NET POSITION	$ 141,140,483	$ 3,669,082	$ 1,665,587	$ 10,045	$ 146,485,197	$ 27,221,073

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 8**
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF PROPRIETARY FUNDS TO THE
GOVERNMENT – WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Amounts reported for business-type activities in the statement of net position are different because:	
Total net position per statement of net position	$ 146,485,197
Internal service funds are used by management to charge the costs of replacing machinery and equipment, fleet management, workers compensation, property liability loss, medical and dental insurance, and health claims to individual funds.	
The assets and liabilities of internal service funds are included in the governmental activities in the government-wide statement of net position. The amount shown represents the net receivable from internal service funds allocated to business-type activities since the adoption of GASB 34.	1,109,009
Total net position of business-type activities	$ 147,594,206

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 9**
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	WATER AND SEWER	SOLID WASTE	DRAINAGE	GOLF COURSE	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES						
Charges for sales and services:						
Water sales	$ 25,275,326	$ -	$ -	$ -	$ 25,275,326	$ -
Sewer charges	15,887,721	-	-	-	15,887,721	-
Connection fees	261,315	-	-	-	261,315	-
Garbage collections	-	6,896,856	-	-	6,896,856	-
Service charges	692,227	-	235,563	2,811,440	3,739,230	14,943,167
Drainage fees	-	-	1,665,787	-	1,665,787	-
Miscellaneous	337,092	36,500	6,057	20,015	399,664	423,271
Total operating revenues	42,453,681	6,933,356	1,907,407	2,831,455	54,125,899	15,366,438
OPERATING EXPENSES						
Personnel services	5,159,864	556,832	622,969	1,688,533	8,028,198	334,846
Contractual services	27,831,506	5,476,493	36,511	942,999	34,287,509	11,673,769
Maintenance	482,853	5,478	363,998	284,591	1,136,920	-
Supplies	673,303	36,954	38,940	236,841	986,038	784,045
Depreciation	5,999,507	15,293	53,450	167,823	6,236,073	2,092,318
Other	696,424	132,738	144,394	76,393	1,049,949	-
Total operating expenses	40,843,457	6,223,788	1,260,262	3,397,180	51,724,687	14,884,978
OPERATING INCOME (LOSS)	1,610,224	709,568	647,145	(565,725)	2,401,212	481,460
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	175,688	26,379	7,977	-	210,044	109,854
Interest expense	(336,202)	-	-	-	(336,202)	-
Gain on disposal of capital assets	13,228	-	-	-	13,228	360,790
Total non-operating revenues (expenses)	(147,286)	26,379	7,977	-	(112,930)	470,644
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,462,938	735,947	655,122	(565,725)	2,288,282	952,104
CAPITAL CONTRIBUTIONS AND TRANSFERS						
Development fees	2,248,163	-	-	-	2,248,163	-
Capital contributions	7,486,365	-	-	-	7,486,365	-
Transfers in	38,191	-	-	586,523	624,714	1,506,574
Transfers out	(3,967,562)	(734,062)	(321,334)	-	(5,022,958)	(151,500)
Total capital contributions and transfers	5,805,157	(734,062)	(321,334)	586,523	5,336,284	1,355,074
CHANGE IN NET POSITION	7,268,095	1,885	333,788	20,798	7,624,566	2,307,178
NET POSITION, BEGINNING OF YEAR AS RESTATED	133,872,388	3,667,197	1,331,799	(10,753)	138,860,631	24,913,895
NET POSITION, END OF YEAR	$ 141,140,483	$ 3,669,082	$ 1,665,587	$ 10,045	$ 146,485,197	$ 27,221,073

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 10**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OF PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Amounts reported for business-type activities in the statement of activities are different because:	
Net change in fund net position- total proprietary funds	$ 7,624,566
Internal service funds are used by management to charge the costs of replacing machinery and equipment, fleet management, workers compensation, property liability loss, medical and dental insurance, and health claims to individual funds.	
The net expenses of certain activities of internal service funds is allocated to business-type activities.	44,974
Change in net position of business-type activities	$ 7,669,540

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 11**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	WATER AND SEWER	SOLID WASTE	DRAINAGE	GOLF COURSE	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 41,473,864	$ 6,802,434	$ 1,859,156	$ 2,825,001	$ 52,960,455	$ -
Cash received from transactions with other funds	-	-	-	-	-	15,325,604
Cash paid to employees for services	(5,116,098)	(550,091)	(619,836)	(1,659,945)	(7,945,970)	(334,846)
Cash paid for goods and services	(30,015,668)	(5,808,802)	(540,420)	(1,543,076)	(37,907,966)	(1,820,890)
Cash paid for claims	-	-	-	-	-	(10,895,964)
Net cash provided by (used in) operating activities	6,342,098	443,541	698,900	(378,020)	7,106,519	2,273,904
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	38,191	-	-	586,523	624,714	1,506,574
Transfers out to other funds	(3,967,562)	(734,062)	(321,334)	-	(5,022,958)	(151,500)
Net cash provided by (used in) non-capital financing activities	(3,929,371)	(734,062)	(321,334)	586,523	(4,398,244)	1,355,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on revenue bond maturities	(1,040,000)	-	-	-	(1,040,000)	-
Interest and fees paid on long-term debt	(130,938)	-	-	-	(130,938)	-
Acquisition and construction of capital assets	(3,313,253)	-	(134,616)	(716,990)	(4,164,859)	(1,829,013)
Proceeds from sale of capital assets	13,228	-	-	-	13,228	360,790
Proceeds from capital leases	-	-	-	602,912	602,912	-
Proceeds from debt issuance	9,845,148	-	-	-	9,845,148	-
Contributions from developers	2,248,163	-	-	-	2,248,163	-
Net cash provided by (used in) capital and related financing activities	7,622,348	-	(134,616)	(114,078)	7,373,654	(1,468,223)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities	(6,431,292)	(4,058)	(214,193)	-	(6,649,543)	(3,424,358)
Interest on investments	137,306	23,313	5,962	-	166,581	83,915
Net cash provided by (used in) investing activities	(6,293,986)	19,255	(208,231)	-	(6,482,962)	(3,340,443)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,741,089	(271,266)	34,719	94,425	3,598,967	(1,179,688)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,928,028	1,221,575	293,690	736,712	12,180,005	5,291,655
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,669,117	$ 950,309	$ 328,409	$ 831,137	$ 15,778,972	$ 4,111,967
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Net operating income (loss)	$ 1,610,224	$ 709,568	$ 647,145	$ (565,725)	$ 2,401,212	$ 481,460
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization expense	5,999,507	15,293	53,450	167,823	6,236,073	2,092,318
Change in assets and liabilities:						
Accounts receivable	(1,069,705)	(130,920)	(48,251)	(6,453)	(1,255,329)	-
Other receivables	89,886	-	-	-	89,886	(15,680)
Prepaids	-	-	-	-	-	43,399
Inventories	(7,376)	-	-	-	(7,376)	-
Deferred outflows - pension	351,478	40,139	41,163	109,060	541,840	-
Deferred outflows - OPEB	(7,513)	(858)	(880)	(2,331)	(11,582)	-
Accounts payable	(461,117)	(168,468)	40,946	(7,452)	(596,091)	(327,593)
Accrued liabilities	16,000	11,327	2,477	5,301	35,105	-
Net OPEB liability	17,545	2,004	2,055	5,444	27,048	-
Net pension liability	(666,781)	(76,145)	(78,090)	(206,896)	(1,027,912)	-
Compensated absences	29,241	5,082	1,432	23,594	59,349	-
Deposits	120,914	-	-	386	121,300	-
Deferred inflows - pension	311,411	35,562	36,471	96,628	480,072	-
Deferred inflows - OPEB	8,384	957	982	2,601	12,924	-
Total adjustments	4,731,874	(266,027)	51,755	187,705	4,705,307	1,792,444
Net cash provided by (used in) operating activities	$ 6,342,098	$ 443,541	$ 698,900	$ (378,020)	$ 7,106,519	$ 2,273,904
NON-CASH FINANCING ACTIVITIES:						
Contributions of capital assets from developers	$ 7,486,365	$ -	$ -	$ -	$ 7,486,365	$ -
Reconciliation of total cash to the statement of net position						
Cash and cash equivalents - current	$ 12,181,941	$ 950,309	$ 328,409	$ 831,137	$ 14,291,796	$ 4,111,967
Restricted cash and cash equivalents	1,487,176	-	-	-	1,487,176	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,669,117	$ 950,309	$ 328,409	$ 831,137	$ 15,778,972	$ 4,111,967

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 12**
STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2018

	ALLEN ECONOMIC DEVELOPMENT CORPORATION	ALLEN COMMUNITY DEVELOPMENT CORPORATION	TOTALS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 2,765,126	$ 1,756,711	$ 4,521,837
Investments	7,544,210	7,640,939	15,185,149
Sales tax receivable	1,740,071	1,740,071	3,480,142
Accrued interest receivable	29,451	27,750	57,201
Prepaid items	6,298	-	6,298
Total current assets	12,085,156	11,165,471	23,250,627
NONCURRENT ASSETS			
CAPITAL ASSETS			
Land	14,621,471	2,239,201	16,860,672
Construction in progress	-	3,757,489	3,757,489
Buildings	-	36,225,091	36,225,091
Furniture and fixtures	-	317,194	317,194
Machine & equipment	-	2,484,221	2,484,221
Vehicles	-	734,305	734,305
Improvements other than buildings	-	33,977,616	33,977,616
Total capital assets	14,621,471	79,735,117	94,356,588
Less: accumulated depreciation	-	(26,514,272)	(26,514,272)
Capital assets, net of accumulated depreciation	14,621,471	53,220,845	67,842,316
Total noncurrent assets	14,621,471	53,220,845	67,842,316
TOTAL ASSETS	26,706,627	64,386,316	91,092,943
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	484,470	567,093	1,051,563
TOTAL DEFERRED OUTFLOWS OF RESOURCES	484,470	567,093	1,051,563
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	46,661	113,781	160,442
Retainage payable	-	184,239	184,239
Accrued interest payable	59,845	56,402	116,247
Accrued and other liabilities	31,458	-	31,458
Current portion of long-term debt	3,235,438	1,735,000	4,970,438
Total current liabilities	3,373,402	2,089,422	5,462,824
NONCURRENT LIABILITIES			
Noncurrent portion of long-term debt	13,598,304	26,070,000	39,668,304
Total noncurrent liabilities	13,598,304	26,070,000	39,668,304
TOTAL LIABILITIES	16,971,706	28,159,422	45,131,128
NET POSITION			
Net investment in capital assets	12,005,941	25,982,938	37,988,879
Restricted for debt service	250,560	201,168	451,728
Unrestricted	(2,037,110)	10,609,881	8,572,771
TOTAL NET POSITION	$ 10,219,391	$ 36,793,987	$ 47,013,378

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 13**
STATEMENT OF ACIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: COMPONENT UNITS: ALLEN ECONOMIC DEVELOPMENT CORPORATION	Net (Expense) Revenue and Changes in Net Position: COMPONENT UNITS: ALLEN COMMUNITY DEVELOPMENT CORPORATION	TOTALS
COMPONENT UNITS						
Allen Economic Development Corporation	$ 10,353,859	$ -	$ -	$ (10,353,859)	$ -	$ (10,353,859)
Allen Community Development Corporation	10,402,577	-	-	-	(10,402,577)	(10,402,577)
TOTAL COMPONENT UNITS	$ 20,756,436	$ -	$ -	$ (10,353,859)	$ (10,402,577)	$ (20,756,436)
General revenues:						
Sales taxes				$ 10,145,175	$ 10,145,175	$ 20,290,350
Interest on investments				102,300	95,728	198,028
Gain on disposition of capital assets				30,953	-	30,953
Miscellaneous				287,217	-	287,217
Total general revenues				10,565,645	10,240,903	20,806,548
CHANGE IN NET POSITION				211,786	(161,674)	50,112
NET POSITION, beginning of year				10,007,605	36,955,661	46,963,266
NET POSITION, end of year				$ 10,219,391	$ 36,793,987	$ 47,013,378

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN, TEXAS **EXHIBIT 14**
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2018

	OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
ASSETS	
CURRENT ASSETS	
Cash and deposits	$ 53,121
Investments:	
Domestic Equities	815,739
Fixed Income	768,096
Real Estate	23,074
Total current assets	1,660,030
TOTAL ASSETS	1,660,030
NET POSITION	
Restricted for postemployment benefits other than pensions	1,660,030
TOTAL NET POSITION	$ 1,660,030

The Notes to Financial Statements are an integral part of this statement.

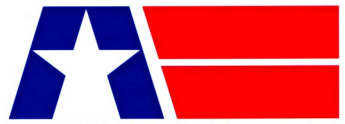
CITY OF ALLEN, TEXAS **EXHIBIT 15**
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
ADDITIONS	
Investment Income:	
Net increase in fair value of investments	$ 94,484
Net Investment Income	94,484
TOTAL ADDITIONS	94,484
DEDUCTIONS	
Benefit payments	252,781
Administrative expense	10,442
TOTAL DEDUCTIONS	263,223
CHANGE IN NET POSITION	(168,739)
NET POSITION, BEGINNING OF YEAR	1,828,769
NET POSITION, END OF YEAR	$ 1,660,030

The Notes to Financial Statements are an integral part of this statement.

CITY OF ALLEN

NOTES TO FINANCIAL STATEMENTS


CITY OF ALLEN

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Allen (the City) was incorporated in 1953, under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925. In 1979, the City adopted a charter making it a home rule city operating under a Council-Manager form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units.* The more significant accounting policies of the City are described below.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it can impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government can impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. The following entities were found to be component units of the City and are included in the basic financial statements:

Allen Economic Development Corporation (AEDC) - The AEDC is responsible for aiding, promoting and furthering economic development within the City.

Allen Community Development Corporation (ACDC) - The ACDC is responsible for supporting the improvements in community parks and recreation, streets and sidewalks, public safety and the community library.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

The members of both the AEDC's and ACDC's Boards of Directors are appointed by the City Council. Both the AEDC and ACDC are fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component services directly benefit the community rather than the City itself. The AEDC and ACDC are discretely presented as governmental fund types and do not issue separate financial statements.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund -

The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

General Capital Projects Fund -

The General Capital Projects Fund is used to account for resources used for the acquisition and/or construction of capital facilities by the City, except those financed by proprietary funds and not accounted for by another capital projects fund.

General Obligation Bond Capital Projects Fund -

To account for financing, acquisitions, and construction of improvements to City facilities and infrastructure not accounted for by other bond funds.

Business-type activities and all Proprietary Funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods relating to a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City reports the following major proprietary funds:

Enterprise Funds:

Water and Sewer Fund -

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities for the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

Solid Waste Fund -

The Solid Waste Fund is used to account for the provision of solid waste services to residents of the City.

Drainage Fund -

The Drainage Fund is used to account for the provision of developing and maintaining proper drainage services to the residents of the City.

Golf Course Fund -

The Golf Course Fund is used to account for activities associated with the operations of The Courses at Watters Creek Golf Course purchased by the City in October 2004.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Additionally, the City reports the following Internal Service Funds:

Internal Service Funds:

Replacement Fund -

The Replacement Fund is an internal service fund that accounts for the costs associated with the acquisition and replacement of vehicles, machinery, and equipment through the rental of such items to other departments.

Risk Management Fund -

The Risk Management Fund accounts for the costs associated with workers compensation, liability and property insurance and medical and dental programs established for City employees and their covered dependents.

Facility Maintenance Fund -

The Facility Maintenance Fund accumulates resources to address large repairs and aging facility infrastructure. The accumulation of resources will help address major building repairs and prevent building deterioration.

Fiduciary Fund –

The City's Fiduciary Funds are used to hold assets for the benefit of third parties (pension participants) and cannot be used to address activities or obligations of the primary government. These funds are not incorporated into the government-wide financial statements. The City's fiduciary fund accounts for the assets of the postemployment benefits trust.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements, fund financial statements for proprietary funds, and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The revenues susceptible to accrual are property and sales taxes, franchise taxes and interest income. Other receipts (special assessments) become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash, Cash Equivalents, and Investments

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of such U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand. Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Under the City's budgetary process, appropriations lapse at fiscal year-end. Encumbrances are reported as assigned fund balance because they do not constitute expenditures or liabilities.

Property Taxes

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and certain personal property located within the City. Appraised values are established by Collin County Central Appraisal District at 100% of estimated market value and certified by the Appraisal Review Board. The assessed value upon which the 2017 levy was based is $12,367,609,498. Taxes are due on October 1st and are delinquent after the following January 31st. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2018, was $0.51 per $100 of assessed valuation.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district based on 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective maintenance and operations tax rate, increased by 8% excluding other contractual obligations, adjusted for new improvements, plus the calculated debt tax rate is less than the proposed city tax rate, then qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than the rollback tax rate.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions Between Funds and Between Funds and Component Units

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except transactions between the component units and the primary government are recorded as transfers.

Transactions between the component units and the primary government are accounted for as external transactions (revenues and expenses). During the fiscal year ended September 30, 2018, ACDC contributed $438,730 and AEDC contributed $99,891 to the General Fund for administrative costs and for the Allen U.S.A. Celebration. These revenues were reflected as grants and contributions for the primary government in the government-wide statement of activities.

Inventories and Prepaid Items

Inventories, which are expended when consumed, are recorded using the average cost method, and are valued at cost.

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. Prepaid items are reported as non-spendable fund balance in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

Special Assessments

The City has the authority to make special assessments to property owners as part of the financing of capital improvements. Such assessments are recorded in the capital projects fund as receivables when assessed and are recognized as revenue when both the measurable and available criteria have been met (generally when collected).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

Assets capitalized have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	15 - 40 Years
Towers, tanks, and pump stations	30 Years
Infrastructure	10 - 50 Years
Machinery and equipment	3 - 15 Years
Vehicles	2 - 15 years
Library books	5 Years
Furniture and fixture	5 Years
Other improvements	2 - 30 Years

The City has established the Replacement Fund to account for the replacement of the City-owned vehicle, machinery, and equipment. Charges for use in the form of user payments are made by City departments to the Replacement Fund to provide for future acquisitions and replacements.

Compensated Absences

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon retirement or termination. Upon termination or retirement, an employee is reimbursed up to a maximum number of hours of vacation pay and sick leave based upon the years of service. Accumulated vacation and sick leave are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and the additions to/deductions from the City's OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by the City's Other Postemployment Benefit Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The investments are reported at fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference between expected and actual pension experience – This difference is deferred and amortized over a closed period of 5.49 years.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. In the statement of net position, the City reports the difference in expected and actual pension experience and the changes in actuarial assumptions. These are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In the balance sheet for the governmental funds, the City reports unavailable revenue for property taxes not received within 60 days of year end.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

Fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The City classifies governmental fund balances as follows:

Non-spendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long-term receivables.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance – Continued

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, construction programs, and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision-making authority. Committed fund balance is reported pursuant to resolution passed by the City Council.

Assigned -- includes fund balance amounts that are self-imposed by the City to be used for a particular purpose. Fund balance can be assigned by the City Manager or the Chief Financial Officer. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Minimum General Fund Unassigned Fund Balance - It is the goal of the City to achieve and maintain an unassigned General Fund balance that is within a range of 60 to 90 days of annual expenditures. If unassigned General Fund balance falls below the goal or has a deficiency, the City will establish a timeframe and work plan to replenish the fund balance. The work plan may include tax increases, fee increases, reduction of services, and/or reduction of expenditures (i.e. hiring freeze, salary freeze, or reduction of travel/training).

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

Deposits – State statutes require that all deposits be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits.

The City's demand deposits and certificates of deposit were fully insured or collateralized at September 30, 2018, with collateral required by state statutes. At year-end, the carrying amount of the City's deposits was $8,543,563 and the bank balance was $9,326,866. Of the bank balance, federal depository insurance covered $250,000 and the remainder was covered by collateral held by the pledging financial institution's agent in the City's name. The City's petty cash balance at September 30, 2018, was $46,025.

The carrying amount of deposits for ACDC and AEDC, discretely presented component units, were $84,696 and $1,062,239, respectively, with no corresponding bank balances as they are pooled with the City's deposits. AEDC's petty cash balance at September 30, 2018, was $100.

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES – CONTINUED

Investments – State statutes authorize the City to invest in U.S. Government obligations, obligations of Texas and its agencies and fully collateralized repurchase agreements. The City, AEDC and ACDC invest in TexPool which is an investment fund authorized by the Texas Legislature and administered by the Texas State Treasury. The Texas Treasury Safekeeping Trust Company is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code. The purpose of TexPool is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. TexPool investments are subject to the same investment policies maintained by the State Treasury for all state funds. The Legislature has authorized only certain investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. Government agencies, commercial paper and other safe instruments.

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, the *Public Funds Investment Act* requires the City to adopt, implement, and publicize an investment policy. In compliance with the *Public Funds Investment Act,* the City has adopted a deposit and investment policy. The table below identifies the investment types that are authorized for the City under Government Code Chapter 2256. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Investment in One Issuer
Certificates of Deposit	5 years	None
Repurchase Agreements	5 years	None
U. S. Treasure Obligations	5 years	None
Municipal Investment Pool	5 years	None
Commercial Bank Savings Account	5 years	None
Money Market Mutual Fund	5 years	None
U. S. Government Securities (non-callable)	5 years	None
U. S. Government Securities (callable)	5 years	None
U. S. Government Sponsored Corp.	5 years	None
Instruments: non-callable		
U. S. Government Sponsored Corp.	5 years	None
Instruments: callable		
Commercial Paper	5 years	None
Bankers' Acceptance	5 years	None
Guaranteed Investment Contracts	5 years	None
State or Local Governmental Obligations	5 years	None

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES – CONTINUED

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level input that is significant to the entire measurement.

The City's investments are measured as presented in the table below. The City's investment balances, weighted average maturity, and credit risk of such investments are as follows:

Investment Type	Primary Government	AEDC	ACDC	Other Postemployment Benefits Trust	Total September 30, 2018	Significant Other Observable Inputs (Level 2)	% of Total Government-wide Investments	Weighted Avg. Maturity (Years)	Credit Rating
Government-wide:									
Investments Measured at Amortized Cost:									
TexPool	$ 308,910	$1,702,787	$1,672,015	$ -	$ 3,683,712	$ -	2.39%	0.00	AAAm
Investments Measured at NAV:									
Money Market Accounts	19,935	-	-	-	19,935	-	0.01%	0.00	AAAm
TexSTAR	3,069,934	-	-	-	3,069,934	-	1.99%	0.00	AAAm
Texas CLASS	26,745,199	-	-	-	26,745,199	-	17.36%	0.02	AAAm
Investments Measured at Cost:									
Certificates of Deposit	17,078,347	1,241,939	1,257,863	-	19,578,149	-	12.71%	0.22	n/a
Investments Subject to Fair Value:									
U.S. Agencies	69,250,878	5,035,930	5,100,498	-	79,387,306	79,387,306	51.53%	1.08	AA+
Certificates of Deposit	10,266,345	746,569	756,142	-	11,769,056	11,769,056	7.64%	0.25	n/a
Commercial Paper	867,736	63,102	63,911	-	994,749	994,749	0.65%	0.00	A1, P1
Municipal Bonds	6,279,833	456,670	462,525	-	7,199,028	7,199,028	4.67%	0.20	A to AAA
PARS OPEB Trust Program:									
Domestic Equities	-	-	-	815,739	815,739	-			
Fixed Income	-	-	-	768,096	768,096	-			
Real Estate	-	-	-	23,074	23,074	-			
Total Government-wide Plus PARS OPEB Trust	$133,887,117	$9,246,997	$9,312,954	$ 1,606,909	$154,053,977	$99,350,139			

Investment pools, money markets, certificates of deposits (Level 1), and domestic equities are measured at amortized cost, net asset value, or cost; are valued using prices quoted in active markets for those securities; and are not required to be reported by levels in the table.

Investments in U.S. Agencies securities, certificates of deposits (Level 2), commercial paper, and municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique in accordance with pricing sources by the custodian bank. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

TexPool is an external investment pool measured at amortized cost. The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES – CONTINUED

Texas CLASS (Texas Cooperative Liquid Assets Security System) and TexSTAR investment pools are external investment pools measured at their net asset value. Texas CLASS and TexSTAR's strategy are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the investment pools. Texas CLASS and TexSTAR have a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity. Texas CLASS was organized in March 1996 under a trust agreement executed by and among Texas local governmental entities in accordance with the Public Funds Investment Act, and the Texas Government Code and remains in full compliance with Government Code Chapter 2256. The fund is administered by Public Trust Advisors, LLC and is rated AAAm by Standard & Poor's Rating Services.

Investments in the Other Postemployment Benefit Trust Program (the "Trust") are held by a bank trust department separate from the City's cash and investments. The City has contracted with Public Agency Retirement Services (PARS) to manage the investment portfolio of the Trust Fund. The investments are subject to the policies and guidelines established by the committee members of the Trust.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The City manages its exposure to market price changes by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to less than eighteen months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and authorized investment pools.

Credit Risk

The City's Investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The City reduces the risk of issuer default by limiting investments to those instruments allowed by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The City's investments in U.S. Agency securities (FFCB, FHLB, FHLMC, and FNMA) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The City's investments in municipal bonds are rated AA- by Standard and Poor's and Aa3 by Moody's Investors Service. Investments in TexPool, TexSTAR, Texas CLASS, and money market accounts carried a credit rating of AAAm by Standard & Poor's as of September 30, 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy controls concentration of credit risk by limiting the amount of investment with a single issuer to no more than 35% of the total portfolio except for State approved investment pools and U.S. Government Securities. As of September 30, 2018, apart from funds invested in TexPool, TexSTAR, or Texas CLASS, the following table represents 5% or more of the City's investments.

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES – CONTINUED

Concentration of Credit Risk - Continued

Issuer	Investment Type	Reported Amount	Percentage
FNMA	Federal agency securities	$ 13,385,998	8.69%
FFCB	Federal agency securities	19,757,124	12.82%
FHLB	Federal agency securities	25,459,228	16.53%
FHLMC	Federal agency securities	20,784,956	13.49%

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy minimizes custodial credit risk by requiring pledged securities to be in the name of the City.

The Public Funds Investment Act does require that financial institutions secure deposits made by state or local governmental bodies by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities of the collateral must always remain at least equivalent to the bank balance less the FDIC insurance.

As of September 30, 2018, the City's deposits with financial institutions above the federal depository limits were fully collateralized.

NOTE 3. RECEIVABLES

Receivables at September 30, 2018, for both governmental and business-type activities, including the applicable allowances for uncollectible accounts, consist of the following:

	Property Taxes	Sales Taxes	Accrued Accounts	Interest	Other	Total
General Fund	$ 785,112	$ 3,480,141	$ 4,014	$ 89,453	$ 5,191,541	$ 9,550,261
Debt Service	215,261	-	-	925	-	216,186
General Capital Projects	-	-	-	73,330	1,727,395	1,800,725
G.O. Bond Fund	-	-	-	57,899	7,804	65,703
Nonmajor Governmental Funds	-	-	366,646	26,430	-	393,076
Water and Sewer	-	-	7,688,456	80,325	93,045	7,861,826
Solid Waste	-	-	891,340	8,813	174,399	1,074,552
Drainage	-	-	264,105	3,741	559	268,405
Golf Course	-	-	2,888	-	3,666	6,554
Internal Service Funds	-	-	22,736	55,418	-	78,154
Gross Receivables	1,000,373	3,480,141	9,240,185	396,334	7,198,409	21,315,442
Less: Allowance for Uncollectibles	(806,993)	-	(110,060)	-	(1,708,409)	(2,625,462)
Total Net Receivables, Primary Government	$ 193,380	$ 3,480,141	$ 9,130,125	$ 396,334	$ 5,490,000	$ 18,689,980
Component Units	$ -	$ 3,480,142	$ -	$ 57,201	$ -	$ 3,537,343

The Water and Sewer Fund, Solid Waste Fund, and Drainage Fund accounts receivable include unbilled charges for services rendered through September 30, 2018.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental Activities

	Balance September 30, 2017	Additions	Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Governmental Funds:-					
General capital assets not being depreciated:					
Land and land improvements	$ 139,069,288	$ 4,461,860	$ -	$ -	$ 143,531,148
Construction in progress	7,492,158	12,252,227	-	(1,451,310)	18,293,075
Total capital assets not being depreciated	146,561,446	16,714,087	-	(1,451,310)	161,824,223
General capital assets being depreciated:					
Buildings	101,175,168	-	-	-	101,175,168
Improvements other than buildings	496,340,369	12,566,660	(159,885)	1,451,310	510,198,454
Furniture and fixtures	7,523,758	69,594	(314,457)	-	7,278,895
Vehicles	1,689,749	529,806	(102,443)	-	2,117,112
Library books	909,025	-	(178,884)	-	730,141
Machinery and equipment	9,374,280	245,301	(487,718)	-	9,131,863
Total capital assets being depreciated	617,012,349	13,411,361	(1,243,387)	1,451,310	630,631,633
Less accumulated depreciation for:					
Buildings	(28,311,481)	(2,566,083)	-	(93,535)	(30,971,099)
Improvements other than buildings	(279,639,638)	(18,236,928)	159,885	93,535	(297,623,146)
Furniture and fixtures	(7,521,391)	(5,847)	314,457	-	(7,212,781)
Vehicles	(1,397,108)	(146,124)	102,443	-	(1,440,789)
Library books	(681,804)	(123,758)	178,884	-	(626,678)
Machinery and equipment	(8,457,872)	(233,143)	487,718	-	(8,203,297)
Total accumulated depreciation	(326,009,294)	(21,311,883)	1,243,387	-	(346,077,790)
Total general capital assets being depreciated, net	291,003,055	(7,900,522)	-	1,451,310	284,553,843
General capital assets, net	$ 437,564,501	$ 8,813,565	$ -	$ -	$ 446,378,066

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2017	Additions	Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Internal Service Funds:					
Internal service funds assets not being depreciated:					
Construction in progress	$ -	$ 352,367	$ -	$ -	$ 352,367
Total capital assets not being depreciated	-	352,367	-	-	352,367
Internal service assets being depreciated:					
Vehicles	14,768,075	1,216,234	(1,543,328)	-	14,440,981
Machinery and equipment	5,842,625	260,412	(98,705)	-	6,004,332
Total internal service assets being depreciated	20,610,700	1,476,646	(1,642,033)	-	20,445,313
Less accumulated depreciation for:					
Vehicles	(8,571,574)	(1,547,590)	1,543,328	-	(8,575,836)
Machinery and equipment	(2,794,371)	(544,728)	98,705	-	(3,240,394)
Total accumulated depreciation	(11,365,945)	(2,092,318)	1,642,033	-	(11,816,230)
Total Internal service funds capital assets being depreciated, net	9,244,755	(615,672)	-	-	8,629,083
Total Internal service funds capital assets, net	9,244,755	(263,305)	-	-	8,981,450
Governmental activities capital assets, net	$ 446,809,256	$ 8,550,260	$ -	$ -	$ 455,359,516

Business-Type Activities

	Balance September 30, 2017	Additions	Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Water and Sewer Activities:					
Capital assets not being depreciated:					
Land	$ 4,072,882	$ -	$ -	$ -	$ 4,072,882
Construction in progress	4,226,973	3,114,512	-	(3,653,307)	3,688,178
Total capital assets not being depreciated	8,299,855	3,114,512	-	(3,653,307)	7,761,060
Capital Assets Being depreciated:					
Towers, tanks, & pumps stations	190,630,891	7,486,365	-	3,653,307	201,770,563
Machinery and equipment	4,227,482	60,891	(394,784)	-	3,893,589
Vehicles	855,033	137,850	(44,930)	-	947,953
Total capital assets being depreciated	195,713,406	7,685,106	(439,714)	3,653,307	206,612,105
Less accumulated depreciation for:					
Towers, tanks, & pumps stations	(88,483,267)	(5,562,940)	-	-	(94,046,207)
Machinery and equipment	(2,732,021)	(399,654)	394,784	-	(2,736,891)
Vehicles	(773,609)	(36,913)	44,930	-	(765,592)
Total accumulated depreciation	(91,988,897)	(5,999,507)	439,714	-	(97,548,690)
Total capital assets being depreciated, net	103,724,509	1,685,599	-	3,653,307	109,063,415
Water and sewer activities capital assets, net	$ 112,024,364	$ 4,800,111	$ -	$ -	$ 116,824,475

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2017	Additions	Dispositions	Balance September 30, 2018
Solid Waste Activities:				
Capital assets being depreciated:				
Machinery and equipment	$ 12,359	$ -	$ -	$ 12,359
Vehicles	140,440	-	-	140,440
Total capital assets being depreciated	152,799	-	-	152,799
Less accumulated depreciation for:				
Machinery and equipment	(9,237)	(1,249)	-	(10,486)
Vehicles	(21,066)	(14,044)	-	(35,110)
Total accumulated depreciation	(30,303)	(15,293)	-	(45,596)
Solid waste activities capital assets, net	$ 122,496	$ (15,293)	$ -	$ 107,203
Drainage Activities:				
Capital assets being depreciated:				
Other improvements	$ 496,132	$ -	$ -	$ 496,132
Vehicles	151,554	-	-	151,554
Machinery and equipment	444,171	134,616	(5,250)	573,537
Total capital assets being depreciated	1,091,857	134,616	(5,250)	1,221,223
Less accumulated depreciation for:				
Other improvements	(177,829)	(12,264)	-	(190,093)
Vehicles	(37,029)	(13,473)	-	(50,502)
Machinery and equipment	(355,603)	(27,713)	5,250	(378,066)
Total accumulated depreciation	(570,461)	(53,450)	5,250	(618,661)
Drainage activities capital assets, net	$ 521,396	$ 81,166	$ -	$ 602,562
Golf Course Activities:				
Capital assets being depreciated:				
Machinery and equipment	$ 1,039,720	$ 716,990	$ (327,220)	$ 1,429,490
Total capital assets being depreciated	1,039,720	716,990	(327,220)	1,429,490
Less accumulated depreciation for:				
Machinery and equipment	(904,726)	(167,823)	327,220	(745,329)
Total accumulated depreciation	(904,726)	(167,823)	327,220	(745,329)
Golf course activities capital assets, net	134,994	549,167	-	684,161
Business-type activities capital assets, net	$112,803,250	$ 5,415,151	$ -	$ 118,218,401

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2017	Additions	Dispositions	Adjustments/ Transfers	Balance September 30, 2018
Economic Development Corporation:					
Capital assets not being depreciated:					
Land and Land Improvements	$ 18,866,830	$ -	$ (4,245,359)	$ -	$ 14,621,471
Economic Development Corporation capital assets, net	$ 18,866,830	$ -	$ (4,245,359)	$ -	$ 14,621,471
Community Development Corporation:					
Capital assets not being depreciated:					
Land and Land Improvements	$ 2,239,201	$ -	$ -	$ -	$ 2,239,201
Construction in progress	506,944	4,654,176	-	(1,403,631)	3,757,489
Total capital assets not being depreciated	2,746,145	4,654,176	-	(1,403,631)	5,996,690
Capital assets being depreciated:					
Buildings	36,225,091	-	-	-	36,225,091
Machine & Equipment	2,239,457	364,112	(119,348)	-	2,484,221
Improvements other than buildings	32,573,985	-	-	1,403,631	33,977,616
Furniture and fixtures	317,194	-	-	-	317,194
Vehicles	646,971	87,334	-	-	734,305
Total capital assets being depreciated	72,002,698	451,446	(119,348)	1,403,631	73,738,427
Less accumulated depreciation for:					
Buildings	(7,028,607)	(915,036)	-	-	(7,943,643)
Machine & Equipment	(1,755,755)	(175,124)	119,348	-	(1,811,531)
Improvements other than buildings	(13,695,527)	(2,111,013)	-	-	(15,806,540)
Furniture and fixtures	(317,194)	-	-	-	(317,194)
Vehicles	(613,070)	(22,294)	-	-	(635,364)
Total accumulated depreciation	(23,410,153)	(3,223,467)	119,348	-	(26,514,272)
Total capital assets being depreciated, net	48,592,545	(2,772,021)	-	1,403,631	47,224,155
Community Development Corporation capital assets, net	51,338,690	1,882,155	-	-	53,220,845
Component units capital assets, net	$ 70,205,520	$ 1,882,155	$ (4,245,359)	$ -	$ 67,842,316

NOTE 4. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged as direct expense to programs of the primary government and component units as follows:

Governmental activities:		
General government	$	1,118,234
Public safety		837,607
Public works		15,266,975
Culture and recreation		4,082,639
Community development		6,428
Total depreciation expense - General capital assets		21,311,883
Internal Service Funds		2,092,318
Total depreciation expense - Governmental activities	$	23,404,201
Business-type activities:		
Water and sewer	$	5,999,507
Solid waste		15,293
Drainage utility		53,450
Golf course		167,823
Total depreciation expense - Business-type activities	$	6,236,073
Component units:		
Allen Community Development Corporation	$	3,223,467

Outstanding commitments at September 30, 2018, under authorized construction contracts totaled $15,809,936. These outstanding commitments for capital projects will be funded from unexpended bond proceeds and additional general obligation bonds.

NOTE 5. LONG-TERM DEBT

At September 30, 2018, bonds payable consisted of the following individual issues:

General Obligation Bonds:		
$1,595,000 Series 2006 Bonds due in annual installments of $50,000 to $115,000 through August 15, 2026; interest at 4.0% to 4.2%.	$	795,000
$8,340,000 Series 2009 Bonds due in annual installments of $435,000 to $855,000 through August 15, 2021; interest at 2.5% to 4.0%.		2,465,000
$12,000,000 Series 2010 Bonds due in annual installments of $370,000 to $865,000 through August 15, 2029; interest at 2.0% to 4.0%.		7,890,000
$8,785,000 Series 2010A Refunding Bonds due in annual installments of $110,000 to $970,000 through August 15, 2022; interest at 2.0% to 3.0%.		3,700,000
$8,840,000 Series 2011 Refunding and Improvement Bonds due in annual installments of $255,000 to $795,000 through August 15, 2030; interest at 2.0% to 4.25%.		4,375,000

NOTE 5. LONG-TERM DEBT – CONTINUED

General Obligation Bonds – continued

$13,865,000 Series 2012 Refunding and Improvement Bonds due in annual installments of $350,000 to $1,600,000 through August 15, 2024; interest at 2.0% to 5.0%.	$ 8,495,000
$5,065,000 Series 2013 Bonds due in annual installments of $190,000 to $340,000 through August 15, 2032; interest at 2.0% to 3.5%.	3,965,000
$10,595,000 Series 2014 Bonds due in annual installments of $375,000 to $740,000 through August 15, 2033; interest at 2.0% to 4.0%.	8,835,000
$32,245,000 Series 2015 Refunding and Improvement Bonds due in annual installments of $160,000 to $3,605,000 through August 15, 2034; interest at 2.0% to 5.0%.	21,285,000
$6,910,000 Series 2016 Refunding Bonds due in annual installments of $775,000 to $1,000,000 through August 15, 2028; interest at 2.0% to 4.0%.	5,910,000
$11,845,000 Series 2017 Bonds due in annual installments of $645,000 to $1,130,000 through August 15, 2032; interest at 2.25% to 5.0%.	10,715,000
$8,355,000 Series 2018 Bonds due in annual installments of $400,000 to $725,000 through August 15, 2033; interest at 2.0% to 5.0%.	8,355,000
Unamortized premium on general obligation bonds.	7,675,400
	$ 94,460,400

Tax Notes:

$1,940,000 Series 2016 Tax Notes due in annual installments of $620,000 to $685,000 through August 15, 2019; interest at the rate of 2.0%.	$ 635,000
	$ 635,000

Water and Sewer Revenue Bonds:

$5,795,000 Series 2009 Refunding Bonds due in installments of $530,000 to $630,000 through June 1, 2019; with interest at the rate of 1.2% to 3.5%.	$ 630,000
$3,370,000 Series 2013 Refunding Bonds due in installments of $90,000 to $385,000 through June 1, 2025; with interest at the rate of 2.0% to 3.0%.	2,395,000
$1,280,000 Series 2014 Refunding Bonds due in installments of $105,000 to $265,000 through June 1, 2024; with interest at the rate of 2.1%.	695,000
$9,330,000 Series 2018 Bonds due in installments of $290,000 to $670,000 through June 1, 2038; with interest at the rate of 2.0% to 5.0%.	9,330,000
Unamortized premium on water and sewer revenue bonds.	800,800
	$ 13,850,800

NOTE 5. LONG-TERM DEBT – CONTINUED

AEDC Sales Tax Revenue Bonds:

$11,810,000 Series 2017A Refunding Bonds due in annual installments of $880,000 to $1,335,000 through September 1, 2027; interest at 2.0% to 5.0%.	$ 10,020,000
$6,140,000 Series 2017B Sales Tax Revenue Bonds due in annual installments of $1,510,000 to $1,565,000 through September 1, 2020; interest at 1.25% to 2.3%.	3,100,000
Unamortized premium on AEDC sales tax revenue bonds.	1,125,047
	$ 14,245,047

AEDC Promissory Note:

$4,400,000 Promissory Note due in annual installments of $679,853 through June 11, 2022; interest at 2.00%.	$ 2,588,695
	$ 2,588,695

ACDC Sales Tax Revenue Bonds:

$31,235,000 Series 2016 Refunding Bonds due in annual installments of $1,715,000 to $3,825,000 through September 1, 2025; interest at 0.750% to 2.353%.	$ 27,805,000
	$ 27,805,000

The following is a summary of long-term debt transactions, including current portion, of the City for the year ended September 30, 2018:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	$ 88,575,000	$ 8,355,000	$ (10,145,000)	$ 86,785,000	$ 9,925,000
Certificates of obligation	405,000	-	(405,000)	-	-
Tax notes	1,255,000	-	(620,000)	635,000	635,000
Capital lease payable	1,250,000	75,622	(461,377)	864,245	819,871
Premiums (discounts)	7,609,995	978,386	(912,981)	7,675,400	897,803
Compensated absences	6,225,795	3,555,517	(3,412,611)	6,368,701	3,588,972
Net OPEB Liability	979,395	216,225	-	1,195,620	-
Net pension liability	27,661,775	-	(8,217,372)	19,444,403	-
Governmental activity long-term debt	$ 133,961,960	$ 13,180,750	$ (24,174,341)	$ 122,968,369	$ 15,866,646

NOTE 5. LONG-TERM DEBT – CONTINUED

The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business-Type Activities					
Water and sewer revenue bonds	$ 4,760,000	$ 9,330,000	$ (1,040,000)	$ 13,050,000	$ 1,360,000
Capital lease payable	116,479	719,256	(116,344)	719,391	150,209
Premiums (discounts)	165,847	669,156	(34,203)	800,800	60,623
Net pension liability	3,424,109	-	(1,027,912)	2,396,197	-
Net OPEB Liability	118,444	27,048	-	145,492	-
Compensated absences	726,859	483,828	(424,478)	786,209	448,750
Business-type activity long-term debt	$ 9,311,738	$ 11,229,288	$ (2,642,937)	$ 17,898,089	$ 2,019,582
Component Units					
Allen Community Development Corporation					
Sales tax revenue bonds	$ 29,520,000	$ -	$ (1,715,000)	$ 27,805,000	$ 1,735,000
ACDC long-term debt	$ 29,520,000	$ -	$ (1,715,000)	$ 27,805,000	$ 1,735,000
Allen Economic Development Corporation					
Sales tax revenue bonds	$ 15,540,000	$ -	$ (2,420,000)	$ 13,120,000	$ 2,475,000
Note payable	3,204,458	-	(615,763)	2,588,695	628,080
Premiums (discounts)	1,257,405	-	(132,358)	1,125,047	132,358
AEDC long-term debt	$ 20,001,863	$ -	$ (3,168,121)	$ 16,833,742	$ 3,235,438
Component units long-term debt	$ 49,521,863	$ -	$ (4,883,121)	$ 44,638,742	$ 4,970,438

Bond Issuances

On July 15, 2018, the City issued *City of Allen, Texas General Obligation Bonds, Series 2018*, in the amount of $8,355,000, to make improvements to existing City facilities, streets, drainage, and public safety facilities. The bonds incur an average cost over the life of the debt at a rate of 2.00%-4.00% and mature annually, with semi-annual interest payments. The bonds will fully mature in 2033.

Also, on July 15, 2018, the City issued *City of Allen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018*, in the amount of $9,330,000, to make improvements to the existing water and sewer systems of the City. The bonds incur an average cost over the life of the bonds at a rate of 2.00-5.00% and mature annually with semi-annual interest payments. The bonds will fully mature in 2038.

Annual Requirements to Retire Debt Obligations

The City intends to retire all its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Fund. The annual aggregate maturities for each bond type for the years subsequent to September 30, 2018, are on the following pages.

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

General Obligation Bonds

Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

	Governmental Activities		
Fiscal Year Ending September 30,	Principal	Interest	Total
2019	$ 9,925,000	$ 3,358,734	$ 13,283,734
2020	8,865,000	2,981,853	11,846,853
2021	8,245,000	2,647,314	10,892,314
2022	7,620,000	2,337,631	9,957,631
2023	6,865,000	2,092,186	8,957,186
2024 - 2028	29,160,000	6,557,694	35,717,694
2029 - 2033	15,580,000	1,746,719	17,326,719
2034	525,000	17,063	542,063
Total	$ 86,785,000	$ 21,739,194	$ 108,524,194

Tax Notes

Annual debt service requirements to maturity for the Tax Notes, including interest, are as follows:

	Governmental Activities		
Fiscal Year Ending September 30,	Principal	Interest	Total
2019	$ 635,000	$ 12,700	$ 647,700
Total	$ 635,000	$ 12,700	$ 647,700

Waterworks and Sewer System Revenue Bonds

Revenue bonds debt service requirements to maturity, including interest, are as follows:

	Business-type Activities		
Fiscal Year Ending September 30	Principal	Interest	Total
2019	$ 1,360,000	$ 389,739	$ 1,749,739
2020	805,000	422,476	1,227,476
2021	815,000	402,873	1,217,873
2022	825,000	382,970	1,207,970
2023	840,000	361,016	1,201,016
2024 - 2028	2,785,000	1,488,508	4,273,508
2029 - 2033	2,520,000	961,300	3,481,300
2034 - 2038	3,100,000	382,000	3,482,000
Total	$ 13,050,000	$ 4,790,882	$ 17,840,882

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

AEDC Sales Tax and Revenue Bonds

Sales Tax Revenue bond debt service requirements to maturity, including interest, are as follows:

	AEDC		
Fiscal Year Ending September 30,	Principal	Interest	Total
2019	$ 2,475,000	$ 529,195	$ 3,004,195
2020	2,530,000	470,295	3,000,295
2021	1,005,000	395,700	1,400,700
2022	1,045,000	355,500	1,400,500
2023	1,100,000	303,250	1,403,250
2024 - 2027	4,965,000	636,000	5,601,000
Total	$ 13,120,000	$ 2,689,940	$ 15,809,940

ACDC Sales Tax and Revenue Bonds

Sales Tax Revenue bond debt service requirements to maturity, including interest, are as follows

	ACDC		
Fiscal Year Ending September 30,	Principal	Interest	Total
2019	$ 1,735,000	$ 676,819	$ 2,411,819
2020	1,755,000	654,489	2,409,489
2021	1,785,000	626,866	2,411,866
2022	1,815,000	595,735	2,410,735
2023	1,850,000	560,560	2,410,560
2024 - 2028	9,915,000	2,140,702	12,055,702
2029 - 2032	8,950,000	697,904	9,647,904
Total	$ 27,805,000	$ 5,953,075	$ 33,758,075

AEDC Note Payable

The note payable debt service requirements to maturity, including interest, are as follows:

	AEDC		
Fiscal Year Ending September 30,	Principal	Interest	Total
2019	$ 628,080	$ 51,774	$ 679,854
2020	640,640	39,212	679,852
2021	653,453	26,400	679,853
2022	666,522	13,330	679,852
Total	$ 2,588,695	$ 130,716	$ 2,719,411

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

A schedule of authorized but unissued direct General Obligation Bonds as of September 30, 2018, is as follows:

Purpose	Date of Authorization	Original Amount Authorized	Issued in Prior Fiscal Years	Issued in 2018	Unissued Balance
Service Center Facilities	5/12/2007	$ 14,500,000	$ 12,500,000	$ -	$ 2,000,000
Library	5/7/2016	16,045,000	779,725	-	15,265,275
Streets and Drainage	5/7/2016	23,890,000	5,857,725	3,218,290	14,813,985
Parks	5/7/2016	27,000,000	-	-	27,000,000
Public Art Projects	5/7/2016	1,770,000	-	-	1,770,000
Public Safety	5/7/2016	24,445,000	5,207,550	5,136,710	14,100,740
		$ 107,650,000	$ 24,345,000	$ 8,355,000	$ 74,950,000

Waterworks and Sewer System Revenue Bonds

Waterworks and Sewer System Revenue Bonds are used to finance the acquisition of major capital improvements for the City's water and sewer system and related facilities. Water and Sewer Revenue Bonds and Refunding Bonds are payable solely from and, equally secured by, a first lien on and pledge of the net revenue of the City's combined waterworks and sanitary sewer systems.

The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

Funds aggregating $46,350 at September 30, 2018, are restricted within the Water and Sewer Enterprise Fund for servicing of the debt. The respective bond indentures require the City to make equal monthly payments to the restricted accounts to accumulate the annual principal and interest requirements as they become due.

The ordinances authorizing the Revenue Bonds stipulate that the City will deposit, in addition to principal and interest requirements, certain amounts in a reserve fund. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds whenever enough funds are not available in the bond interest and redemption fund. The bond indentures require that the City accumulate reserves to an amount equal to the average annual principal and interest requirements of all outstanding bonds secured by the net revenues of the system. Such reserves are funded up to the required level in equal monthly installments over a maximum five-year period, as defined in the indentures. Amounts in the reserve fund at September 30, 2018, of $1,487,176 are adequate to meet the reserve requirements.

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Water and Sewer Revenue Bonds – Continued

At September 30, 2018, restricted assets, which include amounts in the Water and Sewer Revenue Bond Debt Service and the Revenue Bond Reserve Fund, were as follows:

Revenue bond reserve fund	$ 903,063
Revenue bond debt service	584,113
	$ 1,487,176

Net position reserved for Water and Sewer revenue bond retirement is detailed as follows:

Restricted assets, revenue bond debt	
Service and reserve funds	$ 1,487,176
Accrued interest, payable from restricted assets	(80,826)
Current maturities of revenue bonds, payable from restricted assets	(1,360,000)
Reserved for water and sewer revenue bonds principal and interest	$ 46,350

The City complies with the various requirements of the bond ordinances.

Capital Leases

The City has acquired office equipment, a building, and land under various leases accounted for as capital leases. As of September 30, 2018, the capitalized costs of the governmental leased property and business-type leased property under capital leases were $1,700,000 and $1,429,490, respectively.

The terms of the leases range from 3 - 5 years and call for monthly and annual payments over the life of the leases. The future minimum lease payments under the capitalized leases and the net present value of the future minimum lease payments at September 30, 2018, are as follows:

Fiscal Year Ending	Governmental Activities			Business-type Activities		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2019	$ 819,871	$ 2,015	$ 821,886	$ 150,209	$ 24,251	$ 174,460
2020	20,609	1,277	21,886	146,027	18,686	164,713
2021	23,765	354	24,119	144,278	13,334	157,612
2022	-	-	-	149,752	7,859	157,611
2023	-	-	-	129,125	2,218	131,343
Total	$ 864,245	$ 3,646	$ 867,891	$ 719,391	$ 66,348	$ 785,739

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Operating Leases

The City leases machinery and equipment under non-cancelable operating leases. Total cost for such leases was $570,250 for the fiscal year ended September 30, 2018. Future minimum lease payments, by year and in the aggregate, under the non-cancelable lease commitments are as follows:

Fiscal Year Ending September 30,	Amount
2019	$ 521,623
2020	315,860
2021	110,350
2022	11,520
Total	$ 959,353

NOTE 6. INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund operating transfers for fiscal year ended September 30, 2018, were as follows:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	$ 4,603,089	$ 6,063,012
General Capital Projects	5,000,000	400,000
General Obligation Bonds	-	176,000
Total Major Governmental Funds	9,603,089	6,639,012
Nonmajor Governmental Funds:		
Grants and Special Revenue	79,093	-
Total Nonmajor Governmental Funds	79,093	-
Major Enterprise Funds:		
Water and Sewer Fund	38,191	3,967,562
Solid Waste Fund	-	734,062
Drainage Utility Fund	-	321,334
Golf Course Fund	586,523	-
Total Major Enterprise Funds	624,714	5,022,958
Internal Service Funds:		
Replacement Fund	400,000	-
Facility Maintenance Fund	600,000	151,500
Risk Management Fund	506,574	-
Total Internal Service Funds	1,506,574	151,500
Total Transfers	$ 11,813,470	$ 11,813,470

NOTE 6. INTERFUND TRANSFERS – CONTINUED

Transfers are used to 1) move amounts from funds receiving administrative and operating support to the appropriate fund incurring the administrative and operating costs and 2) to move unrestricted funds to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and to support cash financing of capital projects.

The fund financial statements show:

- Governmental funds: Total transfers in of $9,682,182 in the governmental funds were made to fund capital projects, provide funds for grant-matching expenditures, and provide funding for technology, procurement, human resources, building maintenance, financial, and administrative support. Transfers out totaling $6,639,012 includes cash financing for capital projects, operational support for the Golf Course Fund, and support to programs recorded in non-major governmental and internal service funds.

- Proprietary funds: Total transfers in of $624,714 of the enterprise funds mainly represents amounts transferred into the Golf Course to support operations. The total transfers out of $5,022,958 represents the amount provided by other funds for technology, procurement, human resources, building maintenance, financial and administrative support. The internal service funds total transfer in of $1,506,574 represents the amounts needed for repairs of aging facility infrastructure and administrative support, while the total transfer out of $151,500 represents the amounts needed in the special revenue fund to replace technology.

NOTE 7. RETIREMENT PLAN

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

NOTE 7. RETIREMENT PLAN – CONTINUED

Beginning in 1993, the City granted an annually repeating (automatic) basis a monetary credit referred to as an Updated Service Credit (USC), which is a theoretical amount that considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City also participates in Social Security.

Employees Covered by Benefit Terms*:*

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	205
Inactive employees entitled to, but not yet receiving benefits	428
Active employees	737
Total	1,370

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The actuarially determined contribution rates for retirement benefits for the City were 13.71%, 13.94%, and 13.99% in calendar years 2016, 2017, and 2018, respectively. The City's contributions to TMRS for the years ended September 30, 2016, 2017, and 2018, were $6,181,797, $6,545,488, and $6,927,485, respectively, which were in excess of the required annual contribution for each year.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

NOTE 7. RETIREMENT PLAN – CONTINUED

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010, through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

NOTE 7. RETIREMENT PLAN – CONTINUED

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 179,387,533	$ 148,301,649	$ 31,085,884
Changes for the year:			
Service cost	8,091,540	-	8,091,540
Interest	12,232,446	-	12,232,446
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,293,282	-	1,293,282
Changes of assumptions	-	-	-
Contributions - employer	-	7,130,557	(7,130,557)
Contributions - employee	-	3,274,594	(3,274,594)
Net investment income	-	20,569,321	(20,569,321)
Benefit payments, including refunds of employee contributions	(4,423,768)	(4,423,768)	-
Administrative expense	-	(106,520)	106,520
Other changes	-	(5,400)	5,400
Net changes	17,193,500	26,438,784	(9,245,284)
Balance at 12/31/2017	$ 196,581,033	$ 174,740,433	$ 21,840,600

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 54,278,949	$ 21,840,600	$ (4,332,349)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

NOTE 7. RETIREMENT PLAN – CONTINUED

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $7,187,404. At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,708,413	$ (593,461)
Changes in actuarial assumptions	-	(109,658)
Difference between projected and actual investment earnings	-	(4,658,122)
Contributions subsequent to the measurement date	5,138,179	-
Total	$ 6,846,592	$ (5,361,241)

Deferred outflows of resources in the amount of $5,138,179 related to pensions that resulted from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the City's financial statements for the year ending September 30, 2019). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended December 31:	
2018	$ 36,454
2019	(255,103)
2020	(1,710,161)
2021	(1,785,608)
2022	61,590
Total	$ (3,652,828)

NOTE 8. WATER AND SEWER CONTRACTS

In 1972, the City entered into a forty-year contract with the North Texas Municipal Water District (District) for the purchase of water. Under the terms of this contract, the City is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During 1998, the City was annexed into the North Texas Municipal Water District, which guaranteed the City a minimum volume of water. For the year ended September 30, 2018, the cost of water purchased under this contract was $16,711,158.

In 1978, the City entered into a contract with the District for the transportation, treatment and disposal of sanitary sewage and other waste. The contract will continue in force at least until all bonds issued by the District pursuant to the contract have been paid in full and will remain in force thereafter throughout the useful life of the District's sanitary sewer system. The contract requires the City to pay varying amounts based on the costs associated with sewage transported and/or treated and disposed. The cost includes the City's proportionate share of the District's operating and maintenance expenses and related debt service costs. During fiscal year 2018, the cost for transportation, treatment and disposal of sewage and other wastes was $9,120,942.

NOTE 9. DEFERRED COMPENSATION PLAN

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. As a result, at September 30, 2018, the deferred compensation investments are not reported in the City's financial statements.

NOTE 10. RISK MANAGEMENT

Health and Dental Insurance

The City provides health and dental insurance benefits to City employees under a modified self-insurance plan. Under the plan, the City and the employee pay a portion of a predetermined monthly premium, which is based on the estimated claims cost for the plan and the extent of medical coverage selected by the employee. To cover annual costs, premium payments are reported as operating revenues of the Risk Management Fund and operating expenditures/expenses of the participating funds.

A commercial insurance carrier is utilized to adjudicate and pay medical claims on behalf of the City. The City's medical claims liability is limited by a stop loss insurance policy that covers individuals' medical claims in excess of $125,000 per plan year. Aggregate stop loss coverage of $2,000,000 per plan year provides protection to limit claim liability for the plan as a whole. The liabilities for insurance claims reported are based on GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

These liabilities include an estimate for incurred but not reported claims. The estimated amount at September 30, 2018, was $1,064,209. Changes in the Risk Management liability during the past five fiscal years were as follows:

Year Ending September 30,	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2014	$ 812,410	$ 7,054,662	$ 6,931,808	$ 935,264
2015	935,264	7,393,719	7,345,549	983,434
2016	983,434	8,076,640	7,986,738	1,073,336
2017	1,073,336	8,599,895	8,512,397	1,160,834
2018	1,160,834	7,857,200	7,953,825	1,064,209

NOTE 10. RISK MANAGEMENT – CONTINUED

Workers Compensation & Property and Liability Insurance

The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience. As claims arise they are submitted to and paid by TMLIRP. To cover annual costs, premium payments are reported as operating revenues of the Risk Management Fund and operating expenditures/expenses of the participating funds.

The City has a workers' compensation deductible of $25,000 per occurrence, with an annual aggregate deductible of $282,222. During fiscal 2018, the City contributed $519,916 to the Risk Management Fund for workers' compensation.

The City has various levels of insurance deductibles for property, liability, and automobile insurance with the maximum deductible set at $10,000. All insured claims are paid by TMLIRP, less the appropriate deductible. During fiscal 2018, the City contributed $754,852 for property and general liability.

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

City of Allen Retiree Healthcare Plan:

Plan Description and Benefits Provided

In addition to the pension benefits described in Note 7, and as required by state law, the City provides post-retirement health care benefits for all permanent full-time employees through a single-employer defined benefit medical plan. To be eligible under the plan, a participant must either attain age sixty (60) and at least five (5) years of TMRS service or be any age with twenty (20) or more years of service. Retirees must make a one-time irrevocable decision to continue benefits at the time of retirement, after which their eligibility for this benefit ends. The retiree benefit consists of medical, dental and vision care until age 65.

Employees who retired on or before December 31, 2012, were "grandfathered" in and allowed to pay the same blended medical premium rates as COBRA participants, which are the total cost of premiums (no City subsidy) plus 2% administration fees. The retirees are also subject to the same rate increases as COBRA participants. Employees who retire on or after January 1, 2013, can elect health care coverage but will be required to pay the (higher) unblended rate. Current OPEB benefits are made on a pay-as-you-go basis from the Risk Management Fund. During fiscal year ended September 30, 2018, retirees paid $94,616 in the form of premiums and incurred $73,163 in plan expenses.

Employees Covered by Benefit Terms

Membership in the defined benefit medical plan consisted of the following at the measurement date of September 30, 2017:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	-
Active plan members	678
Total members	691

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

City of Allen Retiree Healthcare Plan

Funding Policy

Due to the significant increase in retiree premium costs, the City elected to create a separate Other Postemployment Defined Benefit Medical Plan for retirees, effective January 1, 2013. The single-employer defined benefit plan is created by City ordinance and appoints the City Manager as Plan Administrator for the program. The trust was established with Public Agency Retirement Services Company (PARS) and is used to accumulate resources to fund future benefits. However, it does not represent the activities of the plan. Related medical costs are incurred in and paid from the City's Risk Management Fund. The plan benefit provisions and obligations to contribute are established by City Council action and are actuarily determined.

Net OPEB Liability (Asset)

Actuarial Methods and Assumptions - The City's net OPEB liability (asset) was measured as of October 1, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date, which was rolled forward using standard update procedures to determine the September 30, 2018, total OPEB liability as of October 1, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	October 1, 2017
Measurement Date	October 1, 2017
Discount Rate	7.50%
Inflation	2.50%
Payroll Growth Rate	3.00% per annum, including inflation
Mortality, Non-Annuitants	Sex distinct RP 2014h mortality table, with mortality improvement scale MP-2018.
Mortality, Annuitants	Sex distinct RP 2014h mortality table, with mortality improvement scale MP-2018.
Medical & Pharmacy Healthcare Trend	- Medical - 7.3% for 2018, decreasing to an ultimate rate of 4.0% in 2044 and later years. - Dental - 3.0% for 2018 and later years.
Participation Rate	20% of participants eligible for medical or dental benefits upon retirement are assumed to elect coverage.
Investment Rate of Return	5.00%, net of OPEB plan investment expenses

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	45.0%	5.80%
Fixed Income	35.0%	2.00%
Private Equity	10.0%	8.25%
Real Estate	5.0%	5.90%
Cash	5.0%	1.00%
Total	100.0%	

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)– CONTINUED

City of Allen Retiree Healthcare Plan - Continued

Discount Rate -The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at 09/30/2017	$ 906,198	$ 1,828,769	$ (922,571)
Changes for the year:			
Interest	41,469	-	41,469
Change of benefit terms	(91,701)	-	(91,701)
Changes of assumptions	(30,415)	-	(30,415)
Net investment income	-	94,484	(94,484)
Benefit payments	29,767	(252,781)	282,548
Administrative expense	-	(10,442)	10,442
Net changes	(50,880)	(168,739)	117,859
Balance at 09/30/2018	$ 855,318	$ 1,660,030	$ (804,712)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the City for the City of Allen Retiree Healthcare Plan, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate of 7.50%:

	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's net OPEB (Asset)	$ (774,539)	$ (804,712)	$ (844,865)

The following presents the net OPEB liability (asset) of the City for the City of Allen Retiree Healthcare Plan, as well as what the City's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
City's net OPEB (Asset)	$ (846,988)	$ (804,712)	$ (772,860)

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

City of Allen Retiree Healthcare Plan - Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the collective OPEB expense of the City of Allen Retiree Healthcare Plan was a credit of $58,006. At September 30, 2018, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (81,512)
Changes in actuarial assumptions	-	(27,036)
Difference between projected and actual investment earnings	-	(7,700)
Total	$ -	$ (116,248)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows.

Measurement year ending September 30,	Annual Amortization
2019	$ (29,061)
2020	(29,061)
2021	(29,061)
2022	(29,065)
Total	$ (116,248)

Supplemental Death Benefits Plan:

Program Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan administered by Texas Municipal Retirement System (TMRS), which is known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to an employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). Retired employees are each insured for $7,500, and this coverage is reported as an "other postemployment benefit" or (OPEB). As the SDBF covers both active and retired participants, with no segregation of assets, the SDBF is considered as an unfunded OPEB plan (i.e. no assets are accumulated in a trust).

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Supplemental Death Benefits Plan - Continued

Contributions and Funding Policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year of term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is to not pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for retirees for the years ended September 30, 2018, 2017, and 2016 were $4,648, $64,347, and $60,990, respectively, which equals the annual required contributions (ARC) for each year.

Summary of Actuarial Assumptions and Other Inputs Used

Inflation	2.5 %
Salary Increases	3.5% to 10.5%, including inflation.
Discount Rate	3.31% (The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017)
Retirees' share of benefit-related costs	$0.00
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Note: The actuarial assumptions used in the December 31, 2017, valuation was based on the results of an actuarial experience study for the period December 31, 2010, to December 31, 2014.

Employees Covered by Benefit Terms*

At the December 31, 2017, the actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	148
Inactive employees entitled to, but not yet receiving benefits	91
Active employees	737
Total	976

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Supplemental Death Benefits Plan - continued:

Changes in total OPEB Liability

Total OPEB Liability – beginning of year	$ 1,097,839
Changes for the year:	
Service Cost	83,658
Interest on Total OPEB Liability	42,992
Changes in assumptions or other inputs	121,271
Benefit payments	(4,648)
Net Change	243,273
Total OPEB Liability - end of year	$ 1,341,112

The City's total OPEB liability of $1,341,112 was measured at December 31, 2017, and determined by an actuarial valuation as of that date. Accordingly, no roll-forward is required.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1.0% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
Total OPEB Liability	$ 1,655,159	$ 1,341,112	$ 1,100,481

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $143,852. OPEB expense recognized is as follows

Components of OPEB Expense:	
Service Cost	$ 83,658
Interest on Total OPEB Liability	42,992
Change in assumptions or other input	17,202
Total OPEB Expense	$ 143,852

At September 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made subsequent to measurement date	$ 3,308	-
Changes in assumptions or other inputs	104,069	-
Total	$ 107,377	$ -

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CONTINUED

Supplemental Death Benefits Plan - continued:

Deferred outflows of resources in the amount of $3,308 related to OPEB that resulted from contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year Ending September 30,	Net deferred outflows/ (inflows) of resources
2018	$ 17,202
2019	17,202
2020	17,202
2021	17,202
2022	17,202
Thereafter	18,059
Total	$ 104,069

NOTE 12. TAX ABATEMENTS AND ECONOMIC INCENTIVES

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. These programs abate or rebate property and sales taxes and include incentive payments and rebates of fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act), and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact, or community impact of the project requesting assistance. Recipients of assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions that may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The following are the three categories of economic development agreements City has contracted:

Tax Abatements -Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer pays taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were $296,059 for the fiscal year ended September 30, 2018.

General Economic Development -The City, Allen Economic Development Corporation, and Allen Community Development Corporation enter into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received, may result in fee reductions or rebates, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. During fiscal year 2018, the City rebated $6,076,255 in taxes and rebated fees of $416,291 under these agreements. Additionally, for fiscal year 2018, the Allen Economic Development Corporation rebated taxes in the amount of $197,187 and made incentive payments of $7,434,613, while the Allen Community Development Corporation rebated taxes in the amount of $197,187 and made incentive payments of $4,803,610. Allen Economic Development Corporation also sold land to developers during fiscal year 2018.

NOTE 12. TAX ABATEMENTS AND ECONOMIC INCENTIVES – CONTINUED

Tax Increment Financing -The City has adopted two Tax Increment Financing (TIF) zones under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements that earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. Additionally, the City may enter into general economic development agreements, under Chapter 380 of the Texas Local Government Code, which are funded with TIF resources. The City made $871,067 in payments for TIF obligations during fiscal year 2018.

NOTE 13. COMMITMENTS AND CONTINGENT LIABILITIES

Federal Grants -The City participates in several State and Federal assisted grant programs. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Economic Development Grant -The City has several economic development agreements whereby the City has agreed to pay a grant(s) to a developer and/or business in return for the design, construction, operating, and/or managing of the business within the City of Allen. All grants are performance based and do not constitute liabilities on the City's financial records.

NOTE 14. RESTATEMENT OF BEGINNING NET POSITION

The City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which became effective during the year ended September 30, 2018. In June 2015, GASB issued Statement No. 75, and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees - both active employees and inactive employees - are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense. The implementation of GASB 75 required the City to restate the beginning of year net position.

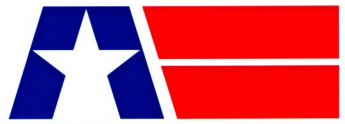
The beginning net positions of the Governmental Activities and Business-Type Activities were restated as follows:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Net position, October 1, 2017, as previously reported	$ 420,528,020	$140,042,751
Adjustment for GASB 75 implementation	(976,417)	(118,085)
Net position, October 1, 2017, as restated	$ 419,551,603	$139,924,666

The beginning net positions of the Water and Sewer, Solid Waste, Drainage, and Golf Course Funds has been restated on the fund financial statements as follows:

	WATER AND SEWER FUND	SOLID WASTE FUND	DRAINAGE FUND	GOLF COURSE FUND
Net position, October 1, 2017, as previously reported	$ 133,948,371	$ 3,676,649	$ 1,340,618	$ 13,078
Adjustment for GASB 75 implementation	(75,983)	(9,452)	(8,819)	(23,831)
Net position, October 1, 2017, as restated	$ 133,872,388	$ 3,667,197	$ 1,331,799	$ (10,753)

REQUIRED SUPPLEMENTARY INFORMATION


CITY OF ALLEN

CITY OF ALLEN, TEXAS **EXHIBIT A-1**
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - SUPPLEMENTAL DEATH BENEFITS FUND
FOR THE MEASUREMENT YEAR ENDED DECEMBER 31, 2017

		2017*
Total OPEB liability:		
Service cost	$	83,658
Interest (on the total pension liability)		42,992
Changes in benefit terms		-
Difference in expected and actual experience		-
Change in assumptions or other inputs		121,271
Benefit payments		(4,648)
Net change in total OPEB liability		243,273
Total OPEB liability, beginning of year		1,097,839
Total OPEB liability, end of year	$	1,341,112
Covered payroll	$	46,476,391
Total OPEB liability as a percentage of covered payroll		2.89%

Notes to Schedule:

None of the Plan assets are accumulated in a trust to pay related benefits that meets the criteria in paragraph 4 of GASB statement No.75.

* The schedule is intended to show information for 10 years.
However, additional years will be displayed as they become available.

CITY OF ALLEN, TEXAS **EXHIBIT A-2**
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS - DEFINED BENEFIT RETIREE HEALTHCARE PLAN
FOR THE MEASUREMENT YEAR ENDED SEPTEMBER 30, 2017

	2018
Total OPEB liability	
Service cost	$ -
Interest	41,469
Changes in benefit terms	-
Difference in expected and actual experience	(91,701)
Change in assumptions	(30,415)
Benefit payments	29,767
Net change in total OPEB liability	(50,880)
Total OPEB liability, beginning of year	906,198
Total OPEB liability, end of year (a)	$ 855,318
Plan fiduciary net position:	
Contributions -employer	$ -
Contributions -employee	-
Net investment income	94,484
Benefit payments	(252,781)
Administrative expense	(10,442)
Net change in plan fiduciary net position	(168,739)
Plan fiduciary net position - beginning	1,828,769
Plan fiduciary net position - ending (b)	$ 1,660,030
Plan Net OPEB liability (asset) - ending (a) - (b)	$ (804,712)
Plan fiduciary net position as a % of total pension liability	194.08%
Covered payroll	$ 41,451,256
Net OPEB liability (asset) as a % of covered payroll	-1.94%

* The schedule is intended to show information for 10 years.
However, additional years will be presented as they become available.

CITY OF ALLEN, TEXAS **EXHIBIT A-3**
SCHEDULE OF OPEB CONTRIBUTIONS -
DEFINED BENEFIT RETIREE HEALTHCARE PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018*
Actuarially determined contributions	$ -
Contributions in relation to actuarially determined contribution	-
Contributions deficiency (excess)	$ -
Covered payroll	$ 41,451,256
Contributions as a percentage of covered payroll	0.00%

* This schedule is intended to show information for 10 years.
Additional years will be presented as they become available.

Notes to Schedule

Valuation Date:	October 1, 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Discount Rate	7.50%
Investment Rate of Return	5.00%, net of OPEB plan investment expenses
Payroll Growth Rate	3.00%, including inflation
General Inflation	2.50%
Mortality, Non-Annuitants	Sex distinct RP 2014h mortality table, with mortality improvement scale MP-2018.
Medical & Pharmacy Healthcare Trend	Medical - 7.3% for 2018, decreasing to an ultimate rate of 4.0% in 2044 and later years.
Medical & Pharmacy Healthcare Trend	Dental - 3.0% for 2018 and later years.
Participation Rate	20% of participants eligible for medical or dental benefits upon retirement are assumed to elect coverage
Healthcare Specific Assumption	Medicare eligible employees are not offered medical and pharmacy benefits by the City, thus there are no liability after age 65.

There were no benefit changes during the year.

CITY OF ALLEN, TEXAS **EXHIBIT A-4**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – RETIREMENT PLAN (TMRS)

FOR THE MEASUREMENT YEAR ENDED DECEMBER 31, 2017

	2014*	2015*	2016*	2017*
Total pension liability:				
Service cost	$ 6,407,942	$ 7,377,440	$ 7,740,829	$ 8,091,540
Interest (on the total pension liability)	9,749,386	10,562,818	11,165,087	12,232,446
Changes in benefit terms	-	-	-	-
Difference in expected and actual experience	(1,791,341)	196,259	894,580	1,293,282
Change in assumptions	-	(231,950)	-	-
Benefit payments, including refunds of employee contributions	(3,213,118)	(3,247,435)	(3,902,489)	(4,423,768)
Net change in total pension liability	11,152,869	14,657,132	15,898,007	17,193,500
Total pension liability, beginning of year	137,679,525	148,832,394	163,489,526	179,387,533
Total pension liability, end of year	$ 148,832,394	$ 163,489,526	$ 179,387,533	$ 196,581,033
Plan fiduciary net position:				
Contributions -employer	$ 5,455,902	$ 6,063,051	$ 6,473,617	$ 7,130,557
Contributions -employee	2,754,779	3,021,766	3,129,050	3,274,594
Net investment income	6,648,346	188,559	9,039,319	20,569,321
Benefit payments, including refunds of employee contributions	(3,213,118)	(3,247,435)	(3,902,489)	(4,423,768)
Administrative expense	(69,397)	(114,830)	(102,024)	(106,520)
Other	(5,706)	(5,671)	(5,497)	(5,400)
Net change in plan fiduciary net position	11,570,806	5,905,440	14,631,976	26,438,784
Plan fiduciary net position - beginning	116,193,427	127,764,233	133,669,673	148,301,649
Plan fiduciary net position - ending	$ 127,764,233	$ 133,669,673	$ 148,301,649	$ 174,740,433
Net pension liability - ending	$ 21,068,161	$ 29,819,853	$ 31,085,884	$ 21,840,600
Plan fiduciary net position as a % of total pension liability	85.84%	81.76%	82.67%	88.89%
Covered payroll	$ 39,335,988	$ 43,142,910	$ 44,410,952	$ 46,476,391
Net pension liability as a % of covered payroll	53.56%	69.12%	70.00%	46.99%

* The schedule is intended to show information for 10 years.
However, additional years will be presented as they become available.

CITY OF ALLEN, TEXAS **EXHIBIT A-5**
SCHEDULE OF CONTRIBUTIONS –
RETIREMENT PLAN (TMRS)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2015*	2016*	2017*	2018*
Actuarially determined contributions	$ 5,785,220	$ 6,028,939	$ 6,217,858	$ 6,678,295
Actual contributions	(5,797,651)	(6,181,797)	(6,545,488)	$ (6,927,485)
Contributions deficiency (excess)	$ (12,431)	$ (152,858)	$ (327,630)	$ (249,190)
Covered payroll	$ 40,985,314	$ 43,564,466	$ 45,962,313	$ 47,782,955
Ratio of actual contributions to covered payroll amount	14.15%	14.19%	14.24%	14.50%

* This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

Notes to Schedule

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

There were no benefit changes during the year.

CITY OF ALLEN, TEXAS **EXHIBIT A-6**
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Ad valorem taxes, penalties and interest	$ 47,830,040	$ 48,280,481	$ 48,218,839	$ (61,642)
Municipal sales tax	19,998,330	19,385,619	20,232,104	846,485
Franchise taxes	7,200,853	7,533,278	7,803,103	269,825
Licenses, permits and fees	3,003,375	3,378,688	3,745,689	367,001
Charge for services	12,006,429	12,220,125	11,974,727	(245,398)
Fines	1,794,749	1,503,506	1,570,939	67,433
Gifts and contributions	803,531	865,969	852,322	(13,647)
Intergovernmental	111,826	102,500	138,559	36,059
Investment earnings	398,000	475,000	338,587	(136,413)
Miscellaneous	1,655,131	1,708,149	2,069,713	361,564
Total revenues	94,802,264	95,453,315	96,944,582	1,491,267
EXPENDITURES				
Current:				
General government	23,425,060	25,472,124	23,824,706	(1,647,418)
Public safety	38,771,681	39,005,313	37,946,894	(1,058,419)
Public works	4,859,236	4,688,404	4,406,346	(282,058)
Culture and recreation	25,838,770	25,876,924	24,169,342	(1,707,582)
Community development	3,168,684	3,026,811	2,723,735	(303,076)
Capital Outlay	493,104	587,866	614,649	26,783
Total expenditures	96,556,535	98,657,442	93,685,672	(4,971,770)
Excess (deficiency) of revenues over (under) expenditures	(1,754,271)	(3,204,127)	3,258,910	6,463,037
OTHER FINANCING SOURCES (USES)				
Transfers in	4,603,089	4,603,089	4,603,089	-
Transfers out	(1,530,144)	(1,588,728)	(6,063,012)	(4,474,284)
Sale of capital assets	10,000	31,279	42,458	11,179
Total other financing sources (uses)	3,082,945	3,045,640	(1,417,465)	(4,463,105)
NET CHANGE IN FUND BALANCE	1,328,674	(158,487)	1,841,445	1,999,932
FUND BALANCES, BEGINNING OF YEAR	21,869,796	21,869,796	21,869,796	-
FUND BALANCES, END OF YEAR	$ 23,198,470	$ 21,711,309	$ 23,711,241	$ 1,999,932

BUDGETARY INFORMATION

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Each year the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayers' comments.

3. Prior to each October 1, the budget is legally enacted by the City Council through passage of an ordinance.

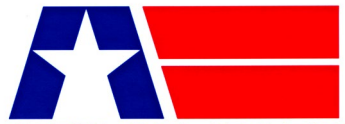
4. Annual budgets are legally adopted for the General Fund and Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is not employed for proprietary funds. However, the City adopts an annual budget for those funds for managerial control purposes.

5. The City Manager is authorized to adjust budgeted amounts. However, such revisions may not result in total expenditures (appropriations) in excess of budgeted expenditures without approval of the City Council. Therefore, the legal level of budgetary control is the combined total budgeted expenditures for all fund types.

6. Formal budgetary integration is not employed for Special Revenue Funds, Proprietary Funds or Capital Projects Funds. However, the City also adopts an annual budget for those funds for managerial control purposes.

7. Budgetary data for the Special Revenue Funds and Capital Projects Funds has not been presented in the accompanying basic financial statements because such funds are budgeted over the life of the respective grant or project and not on an annual basis. Budgetary information for the Proprietary Funds has not been presented since reporting on such budgets is not legally required.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual — General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.


CITY OF ALLEN

COMBINING AND BUDGETARY COMPARISON SCHEDULES

CITY OF ALLEN

MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bonds, certificate of obligation bonds, and interest from governmental resources.

CITY OF ALLEN, TEXAS **EXHIBIT B-1**
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Ad valorem taxes	$ 14,314,472	$ 14,354,447	$ 14,406,808	$ 52,361
Investment earnings	82,000	100,000	145,919	45,919
Total revenues	14,396,472	14,454,447	14,552,727	98,280
EXPENDITURES				
Principal retirement	10,810,000	11,121,316	11,181,377	60,061
Interest and fiscal charges	3,478,610	3,458,192	3,461,414	3,222
Total expenditures	14,288,610	14,579,508	14,642,791	63,283
NET CHANGE IN FUND BALANCES	107,862	(125,061)	(90,064)	34,997
FUND BALANCE, BEGINNING OF YEAR	1,342,002	1,342,002	1,342,002	-
FUND BALANCE, END OF YEAR	$ 1,449,864	$ 1,216,941	$ 1,251,938	$ 34,997

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Hotel Occupancy Tax Fund – To account for funds received from hotel occupancy tax and expend as allowed by state law.

Asset Forfeiture Fund –- To account for activities associated with assets legally seized and forfeited.

Grants Fund – To account for monies received from other governmental agencies that have restricted legal requirements and multi-year budgets.

Special Revenue Fund – To account for monies that have external legal restrictions associated with their use.

Park Dedication Fund – To account for funds received and expended for the acquisition of additional park land and for the development of neighborhood parks.

Tax Increment Financing Fund – To account for the tracking of property tax and sales tax revenue and associated expenses for the City's Tax Increment Financing agreements.

CITY OF ALLEN, TEXAS **EXHIBIT B-2**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	HOTEL OCCUPANCY TAX	ASSET FORFEITURE	GRANTS	SPECIAL REVENUE	PARK DEDICATION	TAX INCREMENT FINANCING	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	$ 361,189	$ 81,511	$ 224,059	$ 245,195	$ 273,896	$ 1,547,053	$ 2,732,903
Investments	1,470,908	79,590	26,651	892,825	1,092,281	2,102,474	5,664,729
Accounts receivable	126,499	1,817	53,971	86,852	-	97,507	366,646
Accrued interest	5,653	455	975	3,722	4,652	10,973	26,430
TOTAL ASSETS	$ 1,964,249	$ 163,373	$ 305,656	$ 1,228,594	$ 1,370,829	$ 3,758,007	$ 8,790,708
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 16,710	$ -	$ 656	$ 12,538	$ 62,812	$ -	$ 92,716
Accrued liabilities	9,869	21,643	8,207	5,866	-	-	45,585
Retainage payable	-	-	18,078	-	47,024	-	65,102
TOTAL LIABILITIES	26,579	21,643	26,941	18,404	109,836	-	203,403
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - interest	1,200	96	167	790	987	2,328	5,568
Unavailable revenue - grants	-	-	8,025	-	-	-	8,025
TOTAL DEFERRED INFLOWS OF RESOURCES	1,200	96	8,192	790	987	2,328	13,593
FUND BALANCES							
Restricted							
Tourism	1,936,470	-	-	-	-	-	1,936,470
Asset forfeiture	-	141,634	-	-	-	-	141,634
State and federal grants	-	-	270,523	-	-	-	270,523
Park acquisition and development	-	-	-	-	1,260,006	-	1,260,006
Tax increment financing agreement	-	-	-	-	-	3,755,679	3,755,679
Court technology	-	-	-	25,303	-	-	25,303
Juvenile case manager	-	-	-	1,037	-	-	1,037
PEG fees	-	-	-	946,059	-	-	946,059
Radio system	-	-	-	215,019	-	-	215,019
Photo red light enforcement	-	-	-	26,410	-	-	26,410
Unassigned	-	-	-	(4,428)	-	-	(4,428)
TOTAL FUND BALANCES	1,936,470	141,634	270,523	1,209,400	1,260,006	3,755,679	8,573,712
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,964,249	$ 163,373	$ 305,656	$ 1,228,594	$ 1,370,829	$ 3,758,007	$ 8,790,708

CITY OF ALLEN **EXHIBIT B-3**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	HOTEL OCCUPANCY TAX	ASSET FORFEITURE	GRANTS	SPECIAL REVENUE	PARK DEDICATION	TAX INCREMENT FINANCING	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES							
Ad valorem taxes, penalties and interest	$ -	$ -	$ -	$ -	$ -	$ 1,149,408	$ 1,149,408
Franchise taxes	-	-	-	186,989	-	-	186,989
Municipal sales tax	-	-	-	-	-	485,400	485,400
Licenses, permits, and fees	-	-	-	-	748,672	-	748,672
Fines	-	-	-	139,415	-	-	139,415
Hotel / motel taxes	1,487,066	-	-	-	-	-	1,487,066
Intergovernmental	-	-	835,893	168,184	-	125,269	1,129,346
Investment earnings	30,519	1,695	3,066	9,715	17,062	29,838	91,895
Miscellaneous	415	70,681	-	-	-	-	71,096
Total revenues	1,518,000	72,376	838,959	504,303	765,734	1,789,915	5,489,287
EXPENDITURES							
General government	-	-	-	165,608	-	901,068	1,066,676
Public safety	-	141,733	178,463	166,798	-	-	486,994
Culture and recreation	4,482,468	-	38,346	-	670,912	-	5,191,726
Community development	-	-	352,525	-	-	-	352,525
Capital outlay	-	-	302,758	154,431	922,915	-	1,380,104
Total expenditures	4,482,468	141,733	872,092	486,837	1,593,827	901,068	8,478,025
Excess (deficiency) of revenues over (under) expenditures	(2,964,468)	(69,357)	(33,133)	17,466	(828,093)	888,847	(2,988,738)
OTHER FINANCING SOURCES							
Transfers in	-	-	28,828	50,265	-	-	79,093
Sale of capital assets	-	42,869	-	-	-	-	42,869
Total other financing sources	-	42,869	28,828	50,265	-	-	121,962
NET CHANGE IN FUND BALANCES	(2,964,468)	(26,488)	(4,305)	67,731	(828,093)	888,847	(2,866,776)
FUND BALANCES, BEGINNING OF YEAR	4,900,938	168,122	274,828	1,141,669	2,088,099	2,866,832	11,440,488
FUND BALANCES, END OF YEAR	$ 1,936,470	$ 141,634	$ 270,523	$ 1,209,400	$ 1,260,006	$ 3,755,679	$ 8,573,712

CITY OF ALLEN

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for financing of services provided by one department to other departments of the City on a cost-reimbursement basis.

Replacement Fund - accounts for the costs associated with the acquisition of vehicles, machinery, and equipment through the rental of such items to other departments.

Risk Management Fund – accounts for the costs associated with workers compensation, liability and property insurance and medical and dental programs established for City employees and their covered dependents.

Facility Maintenance Fund - The Facility Maintenance Fund accumulates resources to address large repairs and aging facility infrastructure. The accumulation of resources will help address major building repairs and prevent building deterioration.

CITY OF ALLEN, TEXAS **EXHIBIT C-1**
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2018

	REPLACEMENT FUND	RISK MANAGEMENT FUND	FACILITY MAINTENANCE FUND	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 3,003,948	$ 729,769	$ 378,250	$ 4,111,967
Investments	9,240,492	5,342,841	734,170	15,317,503
Accounts receivable	-	22,736	-	22,736
Accrued interest receivable	34,198	18,183	3,037	55,418
Prepaid items	-	39,686	-	39,686
Total current assets	12,278,638	6,153,215	1,115,457	19,547,310
CAPITAL ASSETS				
Machinery and equipment	6,004,332	-	-	6,004,332
Vehicles	14,440,981	-	-	14,440,981
Construction in progress	352,367	-	-	352,367
Accumulated depreciation	(11,816,230)	-	-	(11,816,230)
Capital assets, net of accumulated depreciation	8,981,450	-	-	8,981,450
TOTAL ASSETS	21,260,088	6,153,215	1,115,457	28,528,760
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	60,095	62,112	120,824	243,031
Accrued liabilities	-	447	-	447
Incurred but not reported claims	-	1,064,209	-	1,064,209
TOTAL LIABILITIES	60,095	1,126,768	120,824	1,307,687
NET POSITION				
Net investment in capital assets	8,981,450	-	-	8,981,450
Unrestricted	12,218,543	5,026,447	994,633	18,239,623
TOTAL NET POSITION	$ 21,199,993	$ 5,026,447	$ 994,633	$ 27,221,073

CITY OF ALLEN, TEXAS **EXHIBIT C-2**
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	REPLACEMENT FUND	RISK MANAGEMENT FUND	FACILITY MAINTENANCE FUND	TOTALS
OPERATING REVENUES				
Charges for services	$ 3,210,988	$ 11,732,179	$ -	$ 14,943,167
Other income	-	423,271	-	423,271
Total operating revenues	3,210,988	12,155,450	-	15,366,438
OPERATING EXPENSES				
Personal services	-	334,846	-	334,846
Contractual services	67,837	11,129,378	476,554	11,673,769
Supplies	784,045	-	-	784,045
Depreciation	2,092,318	-	-	2,092,318
Total operating expenses	2,944,200	11,464,224	476,554	14,884,978
OPERATING INCOME (LOSS)	266,788	691,226	(476,554)	481,460
NON-OPERATING REVENUES				
Investment earnings	76,985	24,607	8,262	109,854
Gain on disposal of capital assets	360,790	-	-	360,790
Total non-operating revenues	437,775	24,607	8,262	470,644
INCOME BEFORE TRANSFERS	704,563	715,833	(468,292)	952,104
TRANSFERS				
Transfers in	400,000	506,574	600,000	1,506,574
Transfers out	-	-	(151,500)	(151,500)
Total transfers	400,000	506,574	448,500	1,355,074
CHANGE IN FUND NET POSITION	1,104,563	1,222,407	(19,792)	2,307,178
NET POSITION, BEGINNING OF YEAR	20,095,430	3,804,040	1,014,425	24,913,895
NET POSITION, END OF YEAR	$ 21,199,993	$ 5,026,447	$ 994,633	$ 27,221,073

CITY OF ALLEN, TEXAS **EXHIBIT C-3**
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	REPLACEMENT FUND	RISK MANAGEMENT FUND	FACILITY MAINTENANCE FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from transactions with other funds	$ 3,210,988	$ 12,114,616	$ -	$ 15,325,604
Cash paid to employees for services	-	(334,846)	-	(334,846)
Cash paid for goods and services	(1,164,241)	(300,920)	(355,729)	(1,820,890)
Cash paid for claims	-	(10,895,964)	-	(10,895,964)
Net cash provided by (used in) operating activities	2,046,747	582,886	(355,729)	2,273,904
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	400,000	506,574	600,000	1,506,574
Transfers out	-	-	(151,500)	(151,500)
Net cash provided by non-capital financing activities	400,000	506,574	448,500	1,355,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,829,013)	-	-	(1,829,013)
Proceeds from sale of capital assets	360,790	-	-	360,790
Net cash used in capital and related financing activities	(1,468,223)	-	-	(1,468,223)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(1,713,996)	(1,702,089)	(8,273)	(3,424,358)
Interest on investments	61,570	15,178	7,167	83,915
Net cash used in investing activities	(1,652,426)	(1,686,911)	(1,106)	(3,340,443)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(673,902)	(597,451)	91,665	(1,179,688)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,677,850	1,327,220	286,585	5,291,655
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,003,948	$ 729,769	$ 378,250	$ 4,111,967
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net operating income (loss)	$ 266,788	$ 691,226	$ (476,554)	$ 481,460
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,092,318	-	-	2,092,318
Change in assets and liabilities:				
Accounts receivables	-	(15,680)	-	(15,680)
Prepaids	-	43,399	-	43,399
Liabilities	(312,359)	(136,059)	120,825	(327,593)
Total adjustments	1,779,959	(108,340)	120,825	1,792,444
Net cash provided by (used in) operating activities	$ 2,046,747	$ 582,886	$ (355,729)	$ 2,273,904

DISCRETELY PRESENTED COMPONENT UNITS

Allen Economic Development Corporation (AEDC) – AEDC is a legally separate entity from the City and is responsible for aiding, promoting and furthering economic development within the City.

Allen Community Development Corporation (ACDC) – ACDC is a legally separate entity from the City and is responsible for supporting the improvements in community parks and recreation, streets and sidewalks, public safety and the community library.

CITY OF ALLEN, TEXAS **EXHIBIT D-1**
BALANCE SHEET
ALLEN ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	2,765,126
Investments		7,544,210
Sales tax receivable		1,740,071
Accrued interest receivable		29,451
Prepaid items		6,298
TOTAL ASSETS	$	12,085,156
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	$	46,661
Accrued and other liabilities		31,458
TOTAL LIABILITIES		78,119
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - interest		6,249
TOTAL DEFERRED INFLOWS OF RESOURCES		6,249
FUND BALANCE		
Nonspendable		6,298
Restricted		
Debt service		250,560
Unassigned		11,743,930
TOTAL FUND BALANCE		12,000,788
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$	12,085,156

CITY OF ALLEN, TEXAS **EXHIBIT D-2**
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ALLEN ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

Total governmental fund balance	$ 12,000,788
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	6,249
Interest payable on long-term debt does not require current financial resources. Accordingly, interest payable is not reported as a liability on the governmental funds balance sheet.	(59,845)
Long-term liabilities, including bonds payable are not due and payable in the current period and, accordingly, are not reported in the fund financial statements.	(16,349,272)
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, accordingly, are not reported on the governmental funds balance sheet.	14,621,471
Net position of governmental activities	$ 10,219,391

CITY OF ALLEN, TEXAS **EXHIBIT D-3**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
ALLEN ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES		
Sales and other taxes	$	10,145,175
Investment earnings		106,438
Miscellaneous		287,217
Total revenues		10,538,830
EXPENDITURES		
Current:		
Economic development		9,875,999
Debt service:		
Principal retirement		3,035,763
Interest and fiscal charges		648,499
Total expenditures		13,560,261
Deficiency of revenues under expenditures		(3,021,431)
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets		4,276,312
Total other financing sources		4,276,312
NET CHANGE IN FUND BALANCE		1,254,881
FUND BALANCE, BEGINNING OF YEAR		10,745,907
FUND BALANCE, END OF YEAR	$	12,000,788

CITY OF ALLEN, TEXAS **EXHIBIT D-4**
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
ALLEN ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balance - total governmental fund		$ 1,254,881
Amounts reported for governmental activities in the statement of activities are different because:		
The payment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued. However, these amounts are amortized in the government-wide financial statements.		
Bond principal retirement	$ 2,420,000	
Note principal retirement	615,763	
Amortization of bond premiums	132,357	
Amortization of deferred charges on refunding	30,185	3,198,305
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		8,097
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(4,138)
In the governmental fund financial statements, the proceeds from a sale of assets are shown as an increase in financial resources. However, in the statement of activities, gain or loss from the transaction is calculated and reported.		(4,245,359)
Change in net position of governmental activities		$ 211,786

CITY OF ALLEN, TEXAS **EXHIBIT D-5**
BALANCE SHEET
ALLEN COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	1,756,711
Investments		7,640,939
Sales tax receivable		1,740,071
Accrued interest receivable		27,750
TOTAL ASSETS	$	11,165,471
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	$	113,781
Retainage payable		184,239
TOTAL LIABILITIES		298,020
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - interest		5,888
TOTAL DEFERRED INFLOWS OF RESOURCES		5,888
FUND BALANCES		
Restricted		
Debt service		201,168
Assigned for capital projects		1,745,887
Unassigned		8,914,508
TOTAL FUND BALANCE		10,861,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$	11,165,471

CITY OF ALLEN, TEXAS **EXHIBIT D-6**
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ALLEN COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2018

Total governmental fund balance	$	10,861,563
Amounts reported for governmental activities in the statement of net position are different because:		
The following deferred outflows of resources are not reported in governmental funds:		
Deferred charges on refunding		567,093
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.		5,888
Interest payable on long-term debt does not require the use of current financial resources, and, accordingly, is not reported as a liability on the governmental fund balance sheet.		(56,402)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.		(27,805,000)
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported on the governmental fund balance sheet.		53,220,845
Net position of governmental activities	$	36,793,987

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CITY OF ALLEN, TEXAS **EXHIBIT D-7**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
ALLEN COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

REVENUES		
Sales and other taxes	$	10,145,175
Investment earnings		100,983
Total revenues		10,246,158
EXPENDITURES		
Current:		
Community development		6,403,330
Capital projects:		
Community development		5,105,621
Debt service:		
Principal retirement		1,715,000
Interest and fiscal charges		696,331
Total expenditures		13,920,282
Excess (deficiency) of revenues over expenditures		(3,674,124)
NET CHANGE IN FUND BALANCE		(3,674,124)
FUND BALANCE, BEGINNING OF YEAR		14,535,687
FUND BALANCE, END OF YEAR	$	10,861,563

CITY OF ALLEN, TEXAS **EXHIBIT D-8**
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
ALLEN COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balance - total governmental fund	$	(3,674,124)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		5,105,621
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(5,255)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued. However, these amounts are amortized in the government-wide financial statements.		(81,013)
Current year changes in accrued interest payable do not require the use of current financial resources and, accordingly, are not reported as expenditures in governmental funds.		1,563
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Accordingly, depreciation expense is not reported as expenditures in the governmental funds.		(3,223,466)
Repayment of the principal on long-term debt consumes the current financial resources of governmental funds. However, these transactions have no effect on net position.		1,715,000
Change in net position of governmental activities	$	(161,674)

CITY OF ALLEN

STATISTICAL SECTION
(UNAUDITED)

CITY OF ALLEN

STATISTICAL SECTION

This part of the City of Allen's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	Table
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**1, 2, 3 & 4**
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	**5, 6, 7 & 8**
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	**9, 10, 11 & 12**
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	**13 & 14**
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	**15, 16 & 17**

Source: Unless otherwise noted, the information in these tables derived from the comprehensive annual financial reports for each respective year. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning in that year.

CITY OF ALLEN, TEXAS **TABLE 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	September 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	$ 362,579,369	$ 375,929,040	$ 366,601,816	$ 373,586,071	$ 369,314,466	$ 363,168,607	$ 355,756,224	$ 364,667,251	$ 366,322,218	$ 379,153,944
Restricted	1,068,651	889,439	18,656,870	21,042,413	26,511,231	26,066,205	31,476,026	32,485,173	38,303,226	39,588,223
Unrestricted	27,024,433	23,658,628	7,621,235	8,054,347	8,960,703	12,436,903	16,596,955	14,435,604	15,902,576	15,312,432
Total governmental net position	$ 390,672,453	$ 400,477,107	$ 392,879,921	$ 402,682,831	$ 404,786,400	$ 401,671,715	$ 403,829,205	$ 411,588,028	$ 420,528,020	$ 434,054,599
Business-type activities										
Net investment in capital assets	$ 92,988,242	$ 94,983,309	$ 96,288,053	$ 99,960,794	$ 99,544,466	$ 100,991,443	$ 102,340,588	$ 106,174,191	$ 107,926,811	$ 103,762,241
Restricted for debt service	654,521	376,962	349,692	428,646	364,510	26,859	344,421	216,664	195,485	46,350
Unrestricted	27,166,614	25,861,166	29,434,587	31,346,727	33,860,716	32,720,930	34,165,174	33,592,809	31,920,455	43,785,615
Total business-type net position	$ 120,809,377	$ 121,221,437	$ 126,072,332	$ 131,736,167	$ 133,769,692	$ 133,739,232	$ 136,850,183	$ 139,983,664	$ 140,042,751	$ 147,594,206
Primary government										
Net investment in capital assets	$ 455,567,611	$ 470,912,349	$ 462,889,869	$ 473,546,865	$ 468,858,932	$ 464,160,050	$ 458,096,812	$ 470,841,442	$ 474,249,029	$ 482,916,185
Restricted for debt service	1,723,172	1,266,401	19,006,562	21,471,059	26,875,741	26,093,064	31,820,447	32,701,837	38,498,711	39,634,573
Unrestricted	54,191,047	49,519,794	37,055,822	39,401,074	42,821,419	45,157,833	50,762,129	48,028,413	47,823,031	59,098,047
Total primary government net position	$ 511,481,830	$ 521,698,544	$ 518,952,253	$ 534,418,998	$ 538,556,092	$ 535,410,947	$ 540,679,388	$ 551,571,692	$ 560,570,771	$ 581,648,805

Source: City of Allen Comprehensive Annual Financial Reports

CITY OF ALLEN, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

TABLE 2

	Fiscal Year Ended September 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	$ 14,304,910	$ 20,415,700	$ 16,989,047	$ 18,347,067	$ 22,271,050	$ 24,940,939	$ 24,464,246	$ 25,304,811	$ 28,251,550	$ 26,764,210
Public safety	24,498,604	26,106,950	27,110,778	28,675,146	28,935,911	30,408,487	31,607,444	35,199,937	39,624,788	39,213,768
Public works	14,893,306	16,036,561	16,779,393	17,681,730	17,807,948	18,252,130	18,349,569	19,083,214	20,209,785	24,161,991
Culture and recreation	17,689,583	23,160,807	30,645,922	32,112,451	29,983,224	30,987,689	32,407,934	32,851,598	28,968,534	33,791,438
Community development	2,718,864	2,665,534	2,742,284	2,527,518	2,230,968	2,689,517	2,861,704	3,251,555	3,007,047	3,079,242
Interest on long-term debt	4,326,330	4,860,527	4,715,550	4,539,622	4,067,303	3,955,305	3,921,989	3,356,234	2,980,513	2,920,824
Total governmental activities expenses	78,431,597	93,246,079	98,982,974	103,883,534	105,296,404	111,234,067	113,612,886	119,047,349	123,042,217	129,931,473
Business-type activities:										
Water and sewer	22,227,624	26,344,371	25,638,007	26,359,698	29,160,281	30,081,379	32,304,628	35,604,182	39,527,816	41,134,685
Solid waste	4,893,175	5,111,913	5,411,960	5,429,049	5,495,654	5,383,215	5,560,294	5,870,269	6,078,853	6,223,788
Drainage	692,180	895,924	819,947	882,726	910,179	951,973	914,322	1,146,138	1,193,057	1,260,262
Golf Course	2,165,144	2,029,699	1,912,583	1,179,015	2,483,467	2,839,098	2,911,476	3,089,041	3,135,144	3,397,180
Total business-type activities expenses	29,978,123	34,381,907	33,782,497	33,850,488	38,049,581	39,255,665	41,690,720	45,709,630	49,934,870	52,015,915
Total primary government expenses	$ 108,409,720	$ 127,627,986	$ 132,765,471	$ 137,734,022	$ 143,345,985	$ 150,489,732	$ 155,303,606	$ 164,756,979	$ 172,977,087	$ 181,947,388
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	$ 553,322	$ 619,950	$ 575,406	$ 712,432	$ 675,196	$ 823,801	$ 705,064	$ 467,786	$ 497,243	$ 525,542
Public safety	1,514,091	1,464,849	1,521,787	1,577,643	1,541,985	1,568,294	1,647,407	1,801,984	2,712,076	2,171,332
Public works	26,940	131,147	117,518	137,357	196,685	154,418	233,808	210,687	293,559	1,333,506
Culture and recreation	2,638,116	4,347,601	7,762,439	8,019,145	8,443,286	8,425,791	9,177,211	10,289,465	8,747,206	9,803,084
Community development	1,492,567	1,498,580	1,394,833	1,265,485	2,220,438	3,103,410	3,021,708	3,216,799	4,266,140	4,025,326
Operating grants and contributions	2,771,709	3,148,752	2,736,094	1,504,355	2,067,482	1,121,356	1,749,567	1,557,260	2,443,054	2,423,768
Capital grants and contributions	70,200,823	21,884,059	5,437,433	26,626,381	14,737,780	9,571,206	10,552,610	16,039,869	15,327,094	18,942,856
Total governmental activities program revenues	79,197,568	33,094,938	19,545,510	39,842,798	29,882,852	24,768,276	27,087,375	33,583,850	34,286,372	39,225,414
Business-type activities:										
Charges for services:										
Water and sewer	24,642,034	25,588,187	30,798,158	28,693,707	30,808,084	28,955,282	34,135,714	36,335,868	37,163,882	42,453,681
Solid waste	5,541,375	5,789,828	6,138,900	6,040,165	6,114,951	6,309,729	6,474,386	6,687,182	6,735,559	6,933,356
Drainage	1,116,881	1,238,278	1,284,058	1,338,680	1,352,671	1,378,662	1,465,044	1,519,405	1,648,681	1,907,407
Golf Course	1,628,697	1,430,861	1,406,555	59,054	1,924,706	2,537,564	2,361,384	2,705,799	2,959,361	2,810,424
Operating grants and contributions	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-
Capital grants and contributions	2,135,885	5,142,221	2,749,029	7,151,043	3,788,300	3,685,960	4,416,642	6,172,301	5,622,911	9,734,528
Total business-type activities program revenues	35,064,872	39,189,375	43,376,700	44,282,649	44,988,712	43,867,197	49,853,170	53,420,555	54,130,394	63,839,396
Total primary government program revenues	$ 114,262,440	$ 72,284,313	$ 62,922,210	$ 84,125,447	$ 74,871,564	$ 68,635,473	$ 76,940,545	$ 87,004,405	$ 88,416,766	$ 103,064,810

(continued)

CITY OF ALLEN, TEXAS **TABLE 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)
(Accrual Basis of Accounting)
(Unaudited)

Net (Expenses) Revenue										
Governmental activities	$ 765,971	$ (60,151,141)	$ (79,437,464)	$ (64,040,736)	$ (75,413,552)	$ (86,465,791)	$ (86,525,511)	$ (85,463,499)	$ (88,755,845)	$ (90,706,059)
Business-type activities	5,086,749	4,807,468	9,594,203	10,432,161	6,939,131	4,611,532	8,162,450	7,710,925	4,195,524	11,823,481
Total primary government net expenses	$ 5,852,720	$ (55,343,673)	$ (69,843,261)	$ (53,608,575)	$ (68,474,421)	$ (81,854,259)	$ (78,363,061)	$ (77,752,574)	$ (84,560,321)	$ (78,882,578)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	$ 39,450,387	$ 40,757,240	$ 41,111,106	$ 42,042,753	$ 44,474,745	$ 46,232,565	$ 50,143,986	$ 54,102,952	$ 58,816,876	$ 63,929,379
Sales taxes	11,140,337	12,461,268	13,907,095	15,038,519	16,289,761	18,004,636	18,141,683	19,274,983	19,450,088	20,717,505
Franchise taxes	5,533,573	6,091,857	6,421,059	6,150,419	6,302,018	6,973,705	7,412,447	7,295,931	7,553,013	7,990,092
Hotel / Motel taxes	597,512	805,185	1,113,312	1,229,996	1,350,286	1,499,512	1,544,160	1,607,263	1,547,244	1,487,066
Other taxes	1,987,765	2,128,167	1,886,665	1,622,633	1,389,503	2,151,232	1,851,397	1,621,012	1,912,559	1,704,227
Investment earnings	1,558,913	1,154,160	644,169	538,863	177,495	416,828	689,736	735,832	837,577	944,196
Gain on disposition of capital assets	113,734	103,095	233,783	40,509	92,401	-	-	-	263,627	446,117
Miscellaneous	1,052,184	1,312,462	1,451,743	1,802,747	2,079,082	2,445,491	2,650,103	3,794,277	2,703,964	3,592,229
Transfers	3,211,453	5,142,361	5,071,346	5,377,207	5,361,830	5,627,137	6,249,489	4,790,072	4,610,889	4,398,244
Total governmental activities	64,645,858	69,955,795	71,840,278	73,843,646	77,517,121	83,351,106	88,683,001	93,222,322	97,695,837	105,209,055
Business-type activities:										
Investment earnings	499,148	338,849	184,709	197,613	70,382	134,988	194,051	197,125	199,508	210,045
Gain on disposition of capital assets	-	-	-	-	-	-	-	15,503	-	13,228
Miscellaneous	-	408,104	143,329	411,268	385,842	850,157	1,003,939	-	274,944	21,030
Transfers	(3,211,453)	(5,142,361)	(5,071,346)	(5,377,207)	(5,361,830)	(5,627,137)	(6,249,489)	(4,790,072)	(4,610,889)	(4,398,244)
Total business-type activities	(2,712,305)	(4,395,408)	(4,743,308)	(4,768,326)	(4,905,606)	(4,641,992)	(5,051,499)	(4,577,444)	(4,136,437)	(4,153,941)
Total primary government	$ 61,933,553	$ 65,560,387	$ 67,096,970	$ 69,075,320	$ 72,611,515	$ 78,709,114	$ 83,631,502	$ 88,644,878	$ 93,559,400	$ 101,055,114
Change in Net Position										
Governmental activities	$ 65,411,829	$ 9,804,654	$ (7,597,186)	$ 9,802,910	$ 2,103,569	$ (3,114,685)	$ 2,157,490	$ 7,758,823	$ 8,939,992	$ 14,502,996
Business-type activities	2,374,444	412,060	4,850,895	5,663,835	2,033,525	(30,460)	3,110,951	3,133,481	59,087	7,669,540
Total primary government	$ 67,786,273	$ 10,216,714	$ (2,746,291)	$ 15,466,745	$ 4,137,094	$ (3,145,145)	$ 5,268,441	$ 10,892,304	$ 8,999,079	$ 22,172,536

Source: City of allen Comprehensive Annual Financial Reports

CITY OF ALLEN, TEXAS **TABLE 3**
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended September 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	$ 941	$ 862	$ 156	$ 2,081	$ 2,098	$ 4,767	$ 1,486	$ 2,129	$ 126,833	$ 25,747
Restricted	-	-	55,898	513,801	726,953	752,238	779,185	907,908	58,910	59,386
Assigned	-	-	1,402	133,478	851,564	748,200	921,030	-	2,000,000	-
Unassigned	13,584,544	15,187,065	15,349,834	15,857,642	14,672,989	17,368,187	18,407,873	20,911,943	19,684,053	23,626,108
Total General Fund	$13,585,485	$15,187,927	$15,407,290	$16,507,002	$16,253,604	$18,873,392	$ 20,109,574	$ 21,821,980	$ 21,869,796	$ 23,711,241
All Other Governmental Funds										
Restriced	$54,286,739	$39,138,691	$31,131,674	$26,297,587	$34,132,037	$42,149,113	$ 51,398,430	$ 46,610,702	$ 57,540,668	$ 27,922,044
Assigned	-	-	-	-	-	-	-	-	-	28,349,191
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	(4,428)
Total all other governmental funds	$54,286,739	$39,138,691	$31,131,674	$26,297,587	$34,132,037	$42,149,113	$ 51,398,430	$ 46,610,702	$ 57,540,668	$ 56,266,807

Source: City of Allen Comprehensive Annual Financial Reports

CITY OF ALLEN, TEXAS **TABLE 4**
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended September 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Ad valorem taxes	$39,524,538	$ 40,555,218	$41,167,524	$42,045,252	$44,725,261	$46,142,222	$ 50,177,840	$ 54,104,132	$ 58,875,936	$ 63,775,055
Franchise taxes	5,533,573	6,091,857	6,421,059	6,150,419	6,302,018	6,973,705	7,412,447	7,295,931	7,553,013	7,990,092
Municipal sales tax	11,140,337	12,461,268	13,907,095	15,038,519	16,289,761	18,004,636	18,141,683	19,274,983	19,450,088	20,717,504
Licenses, permits and fees	1,888,823	1,120,401	1,270,493	1,215,677	2,294,955	2,915,533	3,134,551	3,064,580	4,450,639	4,494,361
Charges for services	1,923,778	5,790,716	9,234,618	10,051,684	10,623,970	10,580,553	11,734,344	13,002,770	11,664,328	13,442,785
Fines	1,996,179	2,134,324	1,886,665	1,648,194	1,402,725	2,160,168	1,805,230	1,579,628	1,851,735	1,710,354
Gifts and contributions	23,902,163	609,522	986,125	1,443,766	1,322,228	819,408	1,012,103	832,211	712,437	852,322
Hotel / motel fees	597,512	805,185	1,113,312	1,229,996	1,350,286	1,499,512	1,544,160	1,607,263	1,547,244	1,487,066
Recreation fees	2,309,331	-	-	-	-	-	-	-	-	-
Intergovernmental	22,358,605	5,528,449	3,795,087	4,637,343	5,267,026	1,704,404	3,570,737	2,645,089	1,927,567	3,555,241
Investment earnings	1,318,704	985,219	547,525	440,065	144,604	344,386	577,014	627,760	643,928	851,954
Miscellaneous	1,123,436	5,199,090	1,939,352	2,241,166	2,671,410	3,394,197	3,420,441	3,711,870	3,428,366	3,276,677
Total revenues	113,616,979	81,281,249	82,268,855	86,142,081	92,394,244	94,538,724	102,530,550	107,746,217	112,105,281	122,153,411
EXPENDITURES										
General government	13,585,542	19,656,265	16,502,188	17,145,603	21,785,677	23,544,055	23,996,598	24,101,637	27,182,391	26,141,256
Public safety	24,086,875	24,994,107	26,089,579	27,291,201	28,317,603	29,214,552	30,731,310	32,966,265	37,294,550	38,524,578
Public works	3,614,305	5,186,355	3,856,373	4,104,118	4,055,500	4,077,961	4,888,798	4,865,431	5,428,996	8,899,247
Culture and recreation	13,422,415	14,581,130	21,785,214	22,460,071	20,864,140	21,435,581	22,540,516	24,287,382	23,745,884	29,714,212
Community development	2,663,153	2,584,454	2,549,235	2,406,485	2,211,253	2,631,289	2,880,880	2,833,011	2,951,864	3,076,260
Capital outlay	48,473,906	34,219,102	17,398,837	7,972,159	6,123,786	6,573,002	6,555,445	15,408,293	7,053,863	13,114,988
Debt service										
Principal retirement	5,200,000	5,995,000	6,930,000	7,634,130	7,964,914	8,364,986	9,322,537	9,135,000	10,445,000	11,181,377
Interest and fiscal charges	4,309,099	4,710,336	4,775,982	4,562,965	3,955,639	3,882,394	3,931,548	3,801,812	3,378,943	3,461,414
Total expenditures	115,355,295	111,926,749	99,887,408	93,576,732	95,278,512	99,723,820	104,847,632	117,398,831	117,481,491	134,113,332
Excess (deficiency) of revenues over (under) expenditures	(1,738,316)	(30,645,500)	(17,618,553)	(7,434,651)	(2,884,268)	(5,185,096)	(2,317,082)	(9,652,614)	(5,376,210)	(11,959,921)
OTHER FINANCING SOURCES (USES)										
Refunding bonds issued	-	-	12,625,000	13,940,000	-	-	32,245,000	6,910,000	-	
Premium on bonds issued	189,872	150,733	667,702	2,296,042	350,071	432,879	3,772,133	1,039,610	955,225	978,386
Issuance of debt	15,400,000	12,000,000	5,000,000	-	5,065,000	10,595,000	-	1,940,000	11,845,000	8,355,000
Capital lease obligations	35,069	-	-	29,905	-	-	-	1,700,000	-	75,622
Payment to refund bond escrow agent	-	-	(12,998,419)	(16,050,003)	-	-	(28,097,931)	(7,789,058)	-	-
Transfer in	5,973,735	10,136,842	6,849,982	7,074,436	9,598,187	9,257,105	9,711,565	9,137,082	9,805,859	9,682,182
Transfer out	(5,318,064)	(5,285,873)	(2,336,625)	(3,599,726)	(4,571,226)	(4,484,282)	(4,847,771)	(6,384,490)	(6,295,989)	(6,639,012)
Proceeds from sale of capital assets	77,571	98,192	23,259	9,622	23,288	21,258	19,585	24,148	43,897	85,327
Total other financing sources	16,358,183	17,099,894	9,830,899	3,700,276	10,465,320	15,821,960	12,802,581	6,577,292	16,353,992	12,537,505
NET CHANGE IN FUND BALANCES	$14,619,867	$(13,545,606)	$ (7,787,654)	$ (3,734,375)	$ 7,581,052	$10,636,864	$ 10,485,499	$ (3,075,322)	$ 10,977,782	$ 577,584
Debt service as a percentage of noncapital expenditures	14.4%	13.8%	14.2%	14.3%	13.4%	13.2%	13.6%	12.7%	12.5%	12.1%

Source: City of Allen Comprehensive Annual Financial Reports

CITY OF ALLEN, TEXAS **TABLE 5**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended September 30,	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2009	$ 7,250,071,630	$ 612,812,456	$ 827,934,570	$ 7,034,949,516	0.55600
2010	7,546,057,552	627,120,557	855,810,360	7,317,367,749	0.55500
2011	7,592,460,367	673,537,481	876,322,043	7,389,675,805	0.55400
2012	7,721,491,897	496,008,713	615,320,140	7,602,180,470	0.55300
2013	7,810,983,131	833,800,673	643,485,592	8,001,298,212	0.55200
2014	8,197,352,931	789,414,854	613,723,945	8,373,043,840	0.55000
2015	9,347,795,862	885,946,440	1,071,401,599	9,162,340,703	0.54000
2016	10,892,510,607	949,453,680	1,665,547,504	10,176,416,783	0.53000
2017	12,247,829,044	1,019,719,862	1,799,062,766	11,468,486,140	0.52000
2018	13,546,087,428	1,031,270,509	1,878,212,643	12,699,145,294	0.51000

Sources: City of Allen Budget Documents
Collin Central Appraisal District

CITY OF ALLEN, TEXAS **TABLE 6**
DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(unaudited)

	City Direct Rates			Overlapping Rates					
Fiscal Year Ended September 30,	Operating/ General Rate	General Obligation Debt Service	Total Direct	Allen Independent School District	Plano Independent School District	McKinney Independent School District	Love Joy Independent School District	Collin County	Collin County Community College District
2009	0.42370	0.13231	0.55600	1.47030	1.30340	1.51700	1.51500	0.24250	0.08649
2010	0.41075	0.14425	0.55500	1.54000	1.32840	1.54000	1.53500	0.24250	0.08630
2011	0.40908	0.14492	0.55400	1.54000	1.35340	1.52800	1.53500	0.24000	0.08630
2012	0.40533	0.14767	0.55300	1.67000	1.37340	1.54000	1.53500	0.24000	0.08630
2013	0.40506	0.14694	0.55200	1.67000	1.37340	1.54000	1.53500	0.24000	0.08630
2014	0.40912	0.14088	0.55000	1.67000	1.45300	1.67000	1.53500	0.23750	0.08364
2015	0.39836	0.14164	0.54000	1.64000	1.44800	1.67000	1.56000	0.23500	0.08196
2016	0.40627	0.12373	0.53000	1.61000	1.43900	1.67000	1.56000	0.22500	0.08196
2017	0.39627	0.12373	0.52000	1.59000	1.43900	1.62000	1.67000	0.20840	0.08122
2018	0.39274	0.11726	0.51000	1.57000	1.43900	1.62000	1.67000	0.19225	0.07981

Source: Collin Central Appraisal District

CITY OF ALLEN, TEXAS **TABLE 7**
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

2018			2009		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value[a]	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value[b]
The Village At Allen LP	$ 154,189,216	1.21%	AT&T Mobility LLC	$ 75,081,716	1.07%
AT&T Mobility LLC	124,662,836	0.98%	Chelsea Allen Development LP	73,500,000	1.05%
Watters Creek Owner LLC	124,209,362	0.98%	Coventry II DDR/Trademark Montgomery Farm	60,036,182	0.85%
Chelsea Allen Development LP	96,186,822	0.76%	BH Benton Pointe Apartments LLC	38,283,472	0.55%
Cisco Systems Inc	66,630,696	0.52%	Oncor Electric Delivery Company	37,370,308	0.53%
Benton Pointe LP	63,830,248	0.50%	Lexington Allen LP	36,728,836	0.52%
AT&T Services Inc	63,379,704	0.50%	BH Settler's Gate Apartments LP	34,802,477	0.50%
Creekside Acquisition LP	63,151,074	0.50%	Sanmina Corporation	33,353,599	0.47%
Settler's Gate Apartments LP	62,729,086	0.49%	TC Village Inc	31,430,738	0.45%
Twin Creeks Crossing LP	46,591,880	0.37%	Village At Allen LP	30,248,041	0.43%
Total	$ 865,560,924	6.82%	Total	$ 450,835,369	6.43%
Total Assessed Valuation	$ 12,699,145,294	100.00%	Total Assessed Valuation	$ 7,023,771,639	100.00%

Source: Collin Central Appraisal District

Notes: [a]Taxpayers are assessed on January 1, 2017 (2017 tax year) for the 2018 fiscal year.

[b]Taxpayers are assessed on January 1, 2008 (2008 tax year) for the 2009 fiscal year.

CITY OF ALLEN, TEXAS **TABLE 8**
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$ 39,165,026	$ 38,887,961	99.29 %	$ 201,225	$ 39,089,186	99.81 %
2010	40,506,583	40,162,971	99.15 %	317,798	40,480,769	99.94 %
2011	41,262,761	41,006,394	99.38 %	218,814	41,225,208	99.91 %
2012	42,945,211	41,817,303	97.37 %	504,415	42,321,718	98.55 %
2013	44,380,826	44,005,302	99.15 %	290,827	44,296,129	99.81 %
2014	46,357,955	45,924,321	99.06 %	303,600	46,227,921	99.72 %
2015	49,831,250	49,472,535	99.28 %	223,058	49,695,592	99.73 %
2016	54,206,875	53,821,573	99.29 %	211,640	54,033,213	99.68 %
2017	58,493,057	58,282,589	99.64 %	56,409	58,338,998	99.74 %
2018	63,144,743	62,950,713	99.69 %	-	62,950,713	99.69 %

Source: Collin County Tax Assessor

CITY OF ALLEN, TEXAS **TABLE 9**
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

	Governmental Activities				Business-Type Activities				
Fiscal Year Ended September 30,	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2009	$ 99,325,000	$ 4,905,000	$ -	$ 876,068	$ 14,100,000	$ 69,633	$119,275,701	3.94%	1,421
2010	105,550,000	4,685,000	-	1,053,242	12,960,000	6,179	124,254,421	4.24%	1,456
2011	104,330,000	4,455,000	-	914,918	11,770,000	(34,414)	121,435,504	4.01%	1,402
2012	99,365,000	1,060,000	-	1,957,998	10,535,000	(74,053)	112,843,945	3.42%	1,281
2013	96,735,000	800,000	-	2,433,439	9,370,000	456,061	109,794,500	2.96%	1,224
2014	99,245,000	530,000	-	4,615,649	8,015,000	691,493	113,097,142	3.19%	1,241
2015	95,690,000	490,000	-	7,258,749	6,735,000	596,700	110,770,449	2.81%	1,188
2016	86,445,000	450,000	1,940,000	9,175,844	5,760,000	448,387	104,219,231	2.73%	1,102
2017	96,184,995	405,000	1,255,000	1,250,000	4,760,000	282,326	104,137,321	2.60%	1,043
2018	94,460,400	-	635,000	864,245	13,050,000	1,520,191	110,529,836	2.34%	1,077

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[a]See Table 13 for personal income and population data.

CITY OF ALLEN, TEXAS **TABLE 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended September 30,	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total		
2009	$ 99,325,000	$ 4,905,000	$ -	$ 104,230,000	1.48%	1,242
2010	105,550,000	4,685,000	-	110,235,000	1.51%	1,292
2011	104,330,000	4,455,000	-	108,785,000	1.47%	1,256
2012	99,365,000	1,060,000	-	100,425,000	1.32%	1,140
2013	96,735,000	800,000	-	97,535,000	1.22%	1,087
2014	99,245,000	530,000	-	99,775,000	1.19%	1,095
2015	95,690,000	490,000	-	96,180,000	1.05%	1,031
2016	86,445,000	450,000	1,940,000	88,835,000	0.87%	939
2017	103,794,990	405,000	1,255,000	105,454,990	0.92%	1,056
2018	94,460,400	-	635,000	95,095,400	0.75%	927

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
[a]See Table 5 for property value data.
[b]See Table 13 for population data.

CITY OF ALLEN, TEXAS **TABLE 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2018
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (**a**)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Allen I.S.D.	$ 629,244,570	90.31%	$ 568,270,771
Plano I.S.D.	957,625,000	0.85%	8,139,813
McKinney I.S.D.	572,155,000	0.14%	801,017
Lovejoy I.S.D.	162,875,234	10.45%	17,020,462
Collin County	319,710,000	10.09%	32,258,739
Collin College	246,415,000	10.09%	24,863,274
Subtotal, overlapping debt			$ 651,354,075
City of Allen direct debt outstanding	$ 95,959,645	100.00%	95,959,645
Total Direct and Overlapping Debt			$ 747,313,720

Source: Taxable value data used to estimated applicable percentages provided by Collin Central Appraisal District. Net Bonded Debt Outstanding and Percentage of debt obtained from the Texas Municipal Report ("TMR") that was prepared by the Municipal Advisory Council of Texas ("MAC").

Notes: (**a**) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City of Allen's boundaries and dividing it by the county's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. This does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF ALLEN, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

TABLE 12

Fiscal Year Ended September 30,	Water and Sewer System Revenue Bonds				
	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2009	$ 25,075,813	$ 17,202,595	$ 7,873,218	$ 1,659,529	4.74
2010	28,773,833	20,620,871	8,152,962	1,698,662	4.80
2011	32,088,556	19,752,880	12,335,676	1,703,356	7.24
2012	30,218,985	20,244,240	9,974,745	1,702,074	5.86
2013	32,199,528	23,061,918	9,137,610	1,588,049	5.75
2014	30,887,999	23,754,848	7,133,151	1,585,519	4.50
2015	36,275,063	26,397,770	9,877,293	1,513,860	6.52
2016	36,509,983	29,287,984	7,221,999	1,173,576	6.15
2017	37,609,746	33,023,729	4,586,017	1,169,082	3.92
2018	42,629,369	34,843,950	7,785,419	1,181,675	6.59

Notes:

[a]As of 2009 Development fees are no longer included as part of the non-operating revenues and therefore are not included in the times coverage calculation.

[b]Includes operating expenses minus depreciation.

[c]Includes Principal and Interest.

CITY OF ALLEN, TEXAS **TABLE 13**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended September 30,	Estimated Population[a]	Personal Income	Per Capita Personal Income[b]	School Enrollment[c]	Unemployment Rate[d]
2009	83,929	$ 3,025,808,308	$ 36,052	18,091	7.5%
2010	85,315	2,930,399,620	34,348	18,715	6.7%
2011	86,633	3,030,508,973	34,981	19,387	7.2%
2012	88,103	3,298,664,423	37,441	19,765	5.4%
2013	89,705	3,709,032,635	41,347	20,295	5.2%
2014	91,157	3,542,543,334	38,862	20,503	4.4%
2015	93,261	3,940,277,250	42,250	20,755	3.2%
2016	94,576	3,823,896,832	40,432	20,973	3.6%
2017	99,852	4,007,759,724	40,137	21,054	3.1%
2018	102,632	4,715,221,976	45,943	21,567	3.2%

Sources: [a]Estimated population provided by the City of Allen.

[b]Estimated Per Capita Income provided by U.S. Census Bureau based on current income trends within the area.

[c]Allen Independent School District.

[d]Texas Workforce Commission.

CITY OF ALLEN, TEXAS **TABLE 14**
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

2018			2009		
Employer	Total Employees	Percentage of Total City Employment	Employer	Total Employees	Percentage of Total City Employment
Allen Independent School District	2,660	6.83%	Allen Independent School District	2,363	9.58%
Experian Information Solutions	973	2.50%	Presbyterian Hospital	879	3.56%
CVE Technology Group, Inc	860	2.21%	City of Allen	732	2.97%
City of Allen	819	2.10%	Experian	550	2.23%
Texas Health Presbyterian Hospital	715	1.83%	Jack Henry & Associates	380	1.54%
Jack Henry & Associates	687	1.76%	Sanmina SCI	300	1.22%
Frontier Communications	630	1.62%	State Farm	200	0.81%
Netscout	501	1.29%	Sage Telecommunications	175	0.71%
PFSweb	425	1.09%	Photronics	165	0.67%
WatchGuard Video	327	0.84%	Quest Medical	155	0.63%
Total	8,597	22.06%	Total	5,899	23.92%
Total Allen Daytime Employees	38,969		Total Allen Daytime Employees	24,659	

Source: Top ten employers and employee count provided by Allen Economic Development Corporation.

CITY OF ALLEN, TEXAS **TABLE 15**
FULL–TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION & PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year Ended September 30,									
Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government and Adminstration	55.50	55.50	56.00	57.50	62.00	64.00	67.00	70.50	72.50	75.50
Public Safety	255.00	255.00	257.50	276.50	284.50	286.00	295.00	299.00	299.00	305.00
Public Works	52.50	52.50	54.00	53.00	53.00	54.50	55.50	59.00	59.00	60.50
Culture and Recreational	162.92	213.87	215.36	214.86	214.50	212.27	215.71	221.31	221.31	226.32
Water and Sewer	60.50	60.50	63.50	63.50	66.50	68.00	69.00	70.00	74.00	76.50
Golf Course	34.08	34.08	32.49	23.63	32.54	32.54	33.64	33.64	33.64	33.64
Community Development	31.00	29.00	28.00	28.00	26.00	27.00	27.50	28.50	27.50	30.50
Risk Management	2.00	2.00	2.00	2.00	3.00	4.00	4.00	4.00	4.00	4.00
Economic Development	4.00	4.25	4.25	4.25	4.25	6.25	7.00	7.00	7.00	7.00
Total	657.50	706.70	713.10	723.24	746.29	754.56	774.35	792.95	797.95	818.96

Source: City of Allen's Annual Oficial Budgets

CITY OF ALLEN, TEXAS **TABLE 16**
OPERATING INDICATORS BY FUNCTION & PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year Ended September 30,									
Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Number of Employees	157	157	160	172	174	175	183	185	185	189
Number of Violations (Citations)	18,251	17,504	17,925	13,812	13,902	19,943	14,000	13,645	18,778	17,025
Fire										
Number of Employees	98	98	98	104	110	111	112	114	114	116
Number of Fire/Other runs	2,045	1,362	1,468	1,325	1,377	1,541	1,622	1,822	1,886	1,896
Number of EMS runs	2,084	2,885	3,155	3,193	3,613	3,703	3,812	4,162	4,210	4,667
Development Services										
Streets paved (miles)	2	4	3	4	1	4	1	5	5	6
Building Permits Issued[a]	4,014	4,689	4,993	5,192	6,013	9,538	7,549	7,022	7,116	7,126
Cultural and Recreational										
Parks and Recreation										
Park maintained & operated per acre	$ 5,017	$ 4,887	$ 5,393	$ 5,117	$ 3,827	$ 4,022	$ 4,083	$ 4,092	$ 4,668	$ 4,675
Participants in Leisure Service Programs	501,626	581,535	624,643	683,645	666,452	646,719	568,503	638,367	911,064	955,441
Rounds of Golf[c]	43,527	37,857	38,775	0	33,615	45,546	39,723	44,478	47,010	44,163
Library										
Volumes in Collection[b]	131,048	127,665	122,522	124,471	124,226	128,501	132,380	138,041	141,774	139,605
Water and Sewer										
Number of Water Consumers	26,598	27,094	27,495	27,974	28,669	29,124	29,750	30,332	30,920	31,391
Average Daily Water Consumption (gallons)	14,019,701	14,542,980	17,115,783	14,336,000	14,479,000	11,863,621	13,284,000	14,472,000	15,107,156	15,926,000
Maximum Storage Capacity (million of gallons)	31.0	31.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Sanitation										
Recyclables Collected (tons)	9,232	9,374	9,307	9,517	9,667	9,920	10,015	10,108	10,578	10,723
Solid Waste Collected (tons)	52,457	53,660	56,233	53,960	53,445	55,142	59,591	62,009	63,712	66,333

Source: City of Allen Departments

Notes: [a]Includes residential, commercial, and miscellaneous permits (e.g. for pools, fences, and roof repairs).

[b]Includes books and media.

[c] The Golf Course was closed for renovations in fiscal 2012 and was re-opened in January 2013.

CITY OF ALLEN, TEXAS **TABLE 17**
CAPITAL ASSET STATISTICS BY FUNCTION & PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Unaudited)

	Fiscal Year Ended September 30,									
Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	24	23	23	27	27	27	27	28	31	31
Fire Stations	4	4	4	5	5	5	5	5	5	5
Police Motorcycle Units	4	4	4	4	4	4	4	4	4	4
Development Services										
Streets-Paved (miles)	314	318	321	325	326	330	331	336	341	347
Alleys-Paved (miles)	161	163	163	163	163	165	166	167	168	169
Cultural and Recreational										
Parks (acres)	578	576	576	597	597	599	599	607	614	689
Playgrounds	32	32	32	32	32	32	32	32	32	32
Swimming Pools (outdoor)	1	1	1	1	1	1	1	1	1	1
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Tennis Courts	5	5	5	5	5	5	5	5	5	5
Natatorium	1	1	1	1	1	1	1	1	1	1
Visitor (Youth) Center	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Event Center	-	1	1	1	1	1	1	1	1	1
Water and Sewer										
Water Mains (miles)	445	452	456	461	467	471	474	481	494	506
Fire Hydrants	3,954	3,981	4,022	4,144	4,210	4,329	4,398	4,560	4,675	4,982
Sanitary Sewers (miles)	336	339	342	346	352	354	356	361	370	379
Storm Sewer Lines (miles)	104	105	106	107	108	109	110	112	117	123

Source: City Of Allen Departments

CITY OF ALLEN

City of Allen, Texas

Single Audit Report
September 30, 2018

CITY OF ALLEN

C O N T E N T S

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance, and on the Schedule of Expenditures of Federal Awards 3

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CITY OF ALLEN

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and Members of the City Council
City of Allen, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen, Texas (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Mayor and Members of the City Council
City of Allen, Texas

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 27, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance, and on the Schedule of Expenditures of Federal Awards

The Honorable Mayor and Members of the City Council
City of Allen, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Allen, Texas (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax:972.702.8321
CPAs AND ADVISORS | WEAVER.COM

The Honorable Mayor and Members of the City Council
City of Allen, Texas

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance is a deficiency*, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and Members of the City Council
City of Allen, Texas

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic statements. We issued our report thereon dated February 27, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 27, 2019

City of Allen, Texas

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

FEDERAL GRANTOR\PASS THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	GRANTOR OR PASS-THROUGH GRANTOR'S NUMBER	PROGRAM AWARD EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grant*	14.218	B-15-MC-48-0044	$ 2,625	$ -
Community Development Block Grant*	14.218	B-17-MC-48-0044	339,899	51,433
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			342,524	51,433
DEPARTMENT OF JUSTICE				
Direct Programs:				
Federal Seizure Forfeitures	16.000	N/A	90,992	-
Vest Grant	16.607	N/A	546	-
Vest Grant	16.607	N/A	7,981	-
Passed Through Office of the Governor - Criminal Justice Division:				
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2016-DJ-BX-0161	80,000	-
TOTAL DEPARTMENT OF JUSTICE			179,519	-
DEPARTMENT OF THE INTERIOR				
Passed Through Texas Parks and Wildlife Commission:				
Allen Watters Branch Community Park	15.916	48-001133	200,000	-
TOTAL DEPARTMENT OF THE INTERIOR			200,000	-
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Passed Through Texas State Library and Archives Commission:				
Interlibrary Loan Program	45.310	N/A	2,480	-
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			2,480	-
DEPARTMENT OF TRANSPORTATION				
Passed Through Texas Department of Transportation:				
Statewide Transportaion Improvement Program	20.205	40019	102,758	-
STEP Comprehensive	20.600	2018-AllenPD-S-1YG-0087	49,949	-
Total Highway and Safety Cluster			49,949	-
TOTAL DEPARTMENT OF TRANSPORTATION			152,707	-
TOTAL FEDERAL ASSISTANCE			$ 877,230	$ 51,433

*** Denotes Major Federal Program**

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Allen, Texas

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Note A – Basis of Presentation

The City of Allen, Texas (the City) accounts for its grants in Special Revenue Funds. Special Revenue Funds are governmental funds used to account for resources restricted to, or designated for, specific purposes by a grantor. Generally, unused balances are returned to the grantor at the close of specified project periods.

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting as described in Note 1(b) to the basic financial statements for the year ended September 30, 2018.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and when all eligibility requirements have been met, and, accordingly, when such funds are received, they are recorded as unavailable until earned.

The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 90 days beyond the federal project period ending date, in accordance with provisions in Subpart D – Post Federal Award Requirements – Closeout, Section 200.343 (b) Uniform Guidance.

Note B – Contingencies

The City participates in several grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at September 30, 2018 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Note C – Indirect Cost Rate

The City has elected not to use the 10% deminimis indirect cost rate.

City of Allen, Texas

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS:

a. An unmodified opinion was issued on the financial statements.

b. Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes ___X___ None noted

c. Noncompliance material to the financial statements noted? _____ Yes ___X___ No

FEDERAL AWARDS:

d. An unmodified opinion was issued for the major program.

e. Internal control over major programs:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes ___X___ None noted

f. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes ___X___ No

g. Identification of Major Programs:

CFDA Number	Program Title
14.218	Community Development Block Grant
16.738	Edward Byrne Memorial Justice Assistance Grant Program

h. Dollar threshold used to distinguish between type A and type B programs: $750,000

i. Auditee qualified as low-risk auditee? _____ Yes ___X___ No

City of Allen, Texas

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Year Findings and Questioned Costs

None